



Avista Corp.

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VIA ELECTRONIC FILING

September 23, 2015

Public Utilities Commission of Oregon
Attn: Ms. Diane Davis
PO Box 1088
Salem, Oregon 97308-1088

Re: Avista Corporation
Internal Revenue Service Form 3115, Application for Change in Accounting Method

Dear Ms. Davis,

Attached hereby in electronic PDF format, please find six (6) Form 3115, Application for Change of Accounting Method, filed with the United States Internal Revenue Service (IRS) by Avista Corporation, dba Avista Utilities (Avista or Company). This filing is for informational purposes only. Neither the IRS nor Avista require that the Washington Utilities and Transportation Commission (Commission) take any action. Pursuant to IRS Revenue Procedure 2011-14, as modified by Revenue Procedure 2012-20, Avista is required to provide a copy of Form 3115 to the Commission following its submittal to the IRS.

The six forms are included as Exhibits A through F. The purpose of each Form 3115 is summarized, as follows:

Exhibit A - Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for Electric Transmission and Distribution Property filed under Rev. Proc. 2015-14, section 3.09

Exhibit B - Automatic change to deduct amounts paid or incurred for repairs and maintenance filed under Rev. Proc. 2013-24

Exhibit C - Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

Exhibit D - Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to **Electric Transmission and Distribution** filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Exhibit E - Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to **Electrical Generation** filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Exhibit F - Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to **Gas Transmission and Distribution** filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

The changes of accounting method are applicable for income tax purposes only and do not impact the methods of accounting used for FERC or U.S. Generally Accepted Accounting Principles financial reporting purposes. Similarly, there are no ratemaking implications as a result of the changes, and no action is being requested of the Commission.

Thank you for your attention to this matter. If you have any questions regarding this filing, please contact Jeanne Pluth at 509-495-2204 or at jeanne.pluth@avistacorp.com, or Avista's Tax Director, Mr. Don Falkner, at 509-495-4326 or at don.falkner@avistacorp.com.

Sincerely,



Kelly Norwood
Vice President State and Federal Regulation



Exhibit A

Form 3115, Application for Change of Accounting Method

**Automatic Change to Safe Harbor Method of Accounting under
Rev. Proc. 2011-43 for Electric Transmission and Distribution
Property filed under Rev. Proc. 2015-14, section 3.09**

Application for Change in Accounting Method

Name of filer (name of parent corporation if a consolidated group) (see instructions)		Identification number (see instructions)	
Avista Corporation		91-0462470	
Number, street, and room or suite no. If a P.O. box, see the instructions.		Principal business activity code number (see instructions)	
1411 East Mission Avenue		221100	
City or town, state, and ZIP code		Tax year of change begins (MM/DD/YYYY)	01/01/2014
Spokane, WA 99202		Tax year of change ends (MM/DD/YYYY)	12/31/2014
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)		Name of contact person (see instructions)	
		Scott Mackay	
		Contact person's telephone number	
		1 (202) 327-6069	

If the applicant is a member of a consolidated group, check this box

If Form 2848, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box

Check the box to indicate the type of applicant.		Check the appropriate box to indicate the type of accounting method change being requested. (see instructions)	
<input type="checkbox"/> Individual	<input type="checkbox"/> Cooperative (Sec. 1381)	<input type="checkbox"/> Depreciation or Amortization	
<input checked="" type="checkbox"/> Corporation	<input type="checkbox"/> Partnership	<input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions	
<input type="checkbox"/> Controlled foreign corporation (Sec. 957)	<input type="checkbox"/> S corporation	<input checked="" type="checkbox"/> Other (specify) ► REV. PROC. 2011-43 SAFE HARBOR METHOD	
<input type="checkbox"/> 10/50 corporation (Sec. 904(d)(2)(E))	<input type="checkbox"/> Insurance co. (Sec. 816(a))		
<input type="checkbox"/> Qualified personal service corporation (Sec. 448(d)(2))	<input type="checkbox"/> Insurance co. (Sec. 831)		
<input type="checkbox"/> Exempt organization. Enter Code section ►	<input type="checkbox"/> Other (specify) ►		

Caution. To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes all information requested on this Form 3115 (including its instructions), as well as any other information that is not specifically requested.

The taxpayer must attach all applicable supplemental statements requested throughout this form.

Part I Information For Automatic Change Request

	Yes	No
1 Enter the applicable designated automatic accounting method change number for the requested automatic change. Enter only one designated automatic accounting method change number, except as provided for in guidance published by the IRS. If the requested change has no designated automatic accounting method change number, check "Other," and provide both a description of the change and citation of the IRS guidance providing the automatic change. See instructions. ► (a) Change No. <u>160</u> (b) Other <input type="checkbox"/> Description ► <u>N/A</u>		
2 Do any of the scope limitations described in section 4.02 of Rev. Proc. 2008-52 cause automatic consent to be unavailable for the applicant's requested change? If "Yes," attach an explanation.		✓

Note. Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable).

Part II Information For All Requests

	Yes	No
3 Did or will the applicant cease to engage in the trade or business to which the requested change relates, or terminate its existence, in the tax year of change (see instructions)? If "Yes," the applicant is not eligible to make the change under automatic change request procedures.		✓
4a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)? If "No," go to line 5.		✓
b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)?		✓

Signature (see instructions)

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer

Preparer (other than filer/applicant)

Donald Falkner 9/8/15
Signature and date

Renae Davis
Signature of individual preparing the application and date

DONALD FALKNER, TAX DIRECTOR & ASST. TREASURER
Name and title (print or type)

RENAE DAVIS
Name of individual preparing the application (print or type)

ERNST & YOUNG LLP
Name of firm preparing the application

Part II Information For All Requests (continued)	Yes	No
4c Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?		✓
d Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)? If "Yes," attach the consent statement from the director.		✓
e Is the request to change the method of accounting being filed under the 90-day or 120-day window period? If "Yes," check the box for the applicable window period and attach the required statement (see instructions). <input type="checkbox"/> 90 day <input type="checkbox"/> 120 day: Date examination ended ▶ _____ N/A		✓
f If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination. Name ▶ _____ Telephone number ▶ _____ Tax year(s) ▶ _____		
g Has a copy of this Form 3115 been provided to the examining agent identified on line 4f?		✓
5a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court? If "Yes," enter the name of the (check the box) <input type="checkbox"/> Appeals officer and/or <input type="checkbox"/> counsel for the government, telephone number, and the tax year(s) before Appeals and/or a Federal court. Name ▶ _____ Telephone number ▶ _____ Tax year(s) ▶ _____		✓
b Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a?	N	A
c Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member) (see instructions)? If "Yes," attach an explanation.	N	A
6 If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, attach a statement that provides each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court.		
7 If, for federal income tax purposes, the applicant is either an entity (including a limited liability company) treated as a partnership or an S corporation, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member, or shareholder of that entity? If "Yes," the applicant is not eligible to make the change.	N	A
8a Does the applicable revenue procedure (advance consent or automatic consent) state that the applicant does not receive audit protection for the requested change (see instructions)?		✓
b If "Yes," attach an explanation. N/A		
9a Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in method of accounting within the past 5 years (including the year of the requested change)?	✓	
b If "Yes," for each trade or business, attach a description of each requested change in method of accounting (including the tax year of change) and state whether the applicant received consent. SEE STATEMENT		
c If any application was withdrawn, not perfected, or denied, or if a Consent Agreement granting a change was not signed and returned to the IRS, or the change was not made or not made in the requested year of change, attach an explanation. SEE STATEMENT		
10a Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in method of accounting, or technical advice?	✓	
b If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in method of accounting, or technical advice), and the specific issue(s) in the request(s). SEE STATEMENT		
11 Is the applicant requesting to change its overall method of accounting? If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of this form. N/A		✓
Present method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		
Proposed method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		

Part II Information For All Requests (continued)				Yes	No					
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following:									
a	The item(s) being changed. SEE STATEMENT									
b	The applicant's present method for the item(s) being changed. SEE STATEMENT									
c	The applicant's proposed method for the item(s) being changed. SEE STATEMENT									
d	The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT									
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE STATEMENT									
14	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions If "No," attach an explanation. SEE STATEMENT			✓						
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?				✓					
b	If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application. N/A									
16	Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response? SEE STATEMENT		✓							
17	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change.									
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 33%; border-bottom: 1px solid black;">1st preceding year ended: mo. yr.</td> <td style="width: 33%; border-bottom: 1px solid black;">2nd preceding year ended: mo. yr.</td> <td style="width: 33%; border-bottom: 1px solid black;">3rd preceding year ended: mo. yr.</td> </tr> <tr> <td style="text-align: center;">\$ N/A</td> <td style="text-align: center;">\$ N/A</td> <td style="text-align: center;">\$ N/A</td> </tr> </table>	1st preceding year ended: mo. yr.	2nd preceding year ended: mo. yr.	3rd preceding year ended: mo. yr.	\$ N/A	\$ N/A	\$ N/A			
1st preceding year ended: mo. yr.	2nd preceding year ended: mo. yr.	3rd preceding year ended: mo. yr.								
\$ N/A	\$ N/A	\$ N/A								
Part III Information For Advance Consent Request				Yes	No					
18	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request? If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.									
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.									
20	Attach a copy of all documents related to the proposed change (see instructions).									
21	Attach a statement of the applicant's reasons for the proposed change.									
22	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation.									
23a	Enter the amount of user fee attached to this application (see instructions). ► \$ _____									
b	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).									
Part IV Section 481(a) Adjustment				Yes	No					
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes," do not complete lines 25, 26, and 27 below. N/A			✓						
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ► \$ <u>-73,673,223</u> Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant. SEE STATEMENT									

Part IV Section 481(a) Adjustment (continued)		Yes	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?	N	A
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation. N/A		✓

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.)

Part I Change in Overall Method (see instructions) N/A

- 1** Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

	Amount
a Income accrued but not received (such as accounts receivable)	\$
b Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method	
c Expenses accrued but not paid (such as accounts payable)	
d Prepaid expenses previously deducted	
e Supplies on hand previously deducted and/or not previously reported	
f Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II	
g Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. ▶	
h Net section 481(a) adjustment (Combine lines 1a–1g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 25.	\$
- 2** Is the applicant also requesting the recurring item exception under section 461(h)(3)? **Yes** **No**
- 3** Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a statement explaining the differences.

Part II Change to the Cash Method For Advance Consent Request (see instructions) N/A

- Applicants requesting a change to the cash method must attach the following information:
- 1** A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
 - 2** An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

Schedule B—Change to the Deferral Method for Advance Payments (see instructions) N/A

- 1** If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991, attach the following information:
 - a** A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.
 - b** If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required by section 8.02(3)(a)-(c) of Rev. Proc. 2004-34.
 - c** If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required by section 8.03(2)(a)-(f) of Rev. Proc. 2004-34.
- 2** If the applicant is requesting to change to the deferral method for advance payments described in Regulations section 1.451-5(b)(1)(ii), attach the following.
 - a** A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).
 - b** A statement explaining what portions of the advance payments, if any, are attributable to services, whether such services are integral to the provisions of goods or items, and whether any portions of the advance payments that are attributable to non-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) and (3).
 - c** A statement explaining that the advance payments will be included in income no later than when included in gross receipts for purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).
 - d** A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and if so, when substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income.

Schedule C—Changes Within the LIFO Inventory Method (see instructions)**Part I General LIFO Information**

N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all **Forms 970**, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a Valuing inventory (e.g., unit method or dollar-value method).
 - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
 - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
 - d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
 - a A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
 - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions)

Part I Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.) N/A

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities.
2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)?
b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)?
c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)?
d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)?
3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)?
b If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
c Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods.
4 To determine a contract's completion factor using the percentage-of-completion method:
a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)?
b If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))?
5 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.) N/A

- 1 Attach a description of the inventory goods being changed.
2 Attach a description of the inventory goods (if any) NOT being changed.
3a Is the applicant subject to section 263A? If "No," go to line 4a
b Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? If "No," attach a detailed explanation

4a Check the appropriate boxes below.

Identification methods:

- Specific identification
FIFO
LIFO
Other (attach explanation)

Valuation methods:

- Cost
Cost or market, whichever is lower
Retail cost
Retail, lower of cost or market
Other (attach explanation)

b Enter the value at the end of the tax year preceding the year of change

Table with 3 columns: Inventory Being Changed (Present method, Proposed method), Inventory Not Being Changed (Present method). Includes a row for value at the end of the tax year preceding the year of change.

- 5 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).
a Copies of Form(s) 970 filed to adopt or expand the use of the method.
b Only for applicants requesting advance consent. A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
c Only for applicants requesting an automatic change. The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)). N/A

Section A—Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B—Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	Present method	Proposed method
1 Direct material		
2 Direct labor		
3 Indirect labor		
4 Officers' compensation (not including selling activities)		
5 Pension and other related costs		
6 Employee benefits		
7 Indirect materials and supplies		
8 Purchasing costs		
9 Handling, processing, assembly, and repackaging costs		
10 Offsite storage and warehousing costs		
11 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12 Depletion		
13 Rent		
14 Taxes other than state, local, and foreign income taxes		
15 Insurance		
16 Utilities		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18 Engineering and design costs (not including section 174 research and experimental expenses)		
19 Rework labor, scrap, and spoilage		
20 Tools and equipment		
21 Quality control and inspection		
22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23 Licensing and franchise costs		
24 Capitalizable service costs (including mixed service costs)		
25 Administrative costs (not including any costs of selling or any return on capital)		
26 Research and experimental expenses attributable to long-term contracts		
27 Interest		
28 Other costs (Attach a list of these costs.)		

Part III Method of Cost Allocation (see instructions) (continued)

N/A

Section C—Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its method for these costs.)

Table with 3 columns: Line number, Description, Present method, Proposed method. Rows include Marketing, selling, advertising, and distribution expenses; Research and experimental expenses; Bidding expenses; General and administrative costs; Income taxes; Cost of strikes; Warranty and product liability costs; Section 179 costs; On-site storage; Depreciation, amortization, and cost recovery allowance; Other costs.

Schedule E—Change in Depreciation or Amortization (see instructions)

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants must provide this information for each item or class of property for which a change is requested.

Note. See the List of Automatic Accounting Method Changes in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1 Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)?
2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)?
3 Has a depreciation, amortization, or expense election been made for the property (e.g., the election under sections 168(f)(1), 179, or 179C)?
4a To the extent not already provided, attach a statement describing the property being changed.
b If the property is residential rental property, did the applicant live in the property before renting it?
c Is the property public utility property?
5 To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the property is treated under the applicant's present method.
6 If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property.
7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods:
a The Code section under which the property is or will be depreciated or amortized.
b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
c The facts to support the asset class for the proposed method.
d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
e The useful life, recovery period, or amortization period of the property.
f The applicable convention of the property.
g A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section 168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation as to why no special depreciation allowance was or will be claimed.

Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for Electric Transmission and Distribution Property
Filed under Rev. Proc. 2015-14, section 3.09

Page 1, Name of Applicant(s)

Unless otherwise specified, a reference to the "Taxpayer" in this document refers to the following applicants:

Applicants	E.I.N.	Principal Business Activity Code
Avista Corporation	91-0462470	221100

Request for Faxed Documents

In accordance with the procedures set forth in § 9.04(3) of Rev. Proc. 2015-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number: Donald Falkner (509) 495-4326

Authorized Representatives' Fax Numbers:

Scott Mackay (844) 511-2786
 Renae Davis (866) 507-5623

Page 2, Part II, Lines 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change), and/or has the following request(s) pending:

Entity making request	Description of change	Consent Obtained	Tax Year
Avista Corporation (EIN: 91-0462470)	Filed a Form 3115 requesting to change its method of accounting related to repairs and maintenance for the tax year ended December 31, 2009. This requested method change was later withdrawn by Avista Corporation	No	2009

Statement 1

Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for Electric Transmission and Distribution Property Filed under Rev. Proc. 2015-14, section 3.09

Avista Corporation (EIN: 91-0462470)	Change in accounting method for late general asset account elections.	Yes	2013
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2013-24 to determine whether expenditures to maintain, replace, or improve property used to generate steam or electricity must be capitalized under § 263(a)	Automatic pursuant to Rev. Proc. 2015-14, section 3.20	2014
Avista Corporation (EIN: 91-0462470)	Change its method of accounting from capitalizing under § 263(a) certain costs paid or incurred for tangible property to deducting these amounts as repair and maintenance costs under § 162 and Treas. Reg. § 1.162-4	Automatic pursuant to Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric generation assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014

Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for Electric Transmission and Distribution Property Filed under Rev. Proc. 2015-14, section 3.09

Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain gas transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to late partial disposition elections for generation assets, electric transmission and distribution, and gas transmission and distribution assets made under § 1.168(i)-8(d)(2)(i)	Automatic pursuant to Rev. Proc. 2015-14, section 6.33	2014

Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is requesting a change in its method of accounting to use the Transmission and Distribution Property Safe Harbor Method of Accounting (“Safe Harbor Method”) for (1) determining whether expenditures to maintain, replace, or improve linear electric transmission and distribution property must be capitalized under §263(a) or are deductible

Statement 3

**Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for
Electric Transmission and Distribution Property
Filed under Rev. Proc. 2015-14, section 3.09**

under §162, and (2) defining units of property for both its linear and non-linear transmission and distribution property, both as provided in Rev. Proc. 2011-43. Specifically, the Taxpayer will apply the Safe Harbor Method to all of its electric transmission and distribution assets (“Network”) as required by section 3.02 of Rev. Proc. 2011-43. As required under section 5.07 of Rev. Proc. 2011-43, this change does not include property (including expenditures incurred after December 31, 1980, for the repair, maintenance, rehabilitation, or improvement of property placed in service before January 1, 1981) subject to a repair allowance election under Treas. Reg. § 1.167(a)-11(d)(2) made in prior years. The Taxpayer is concurrently changing its method of accounting to comply with the final tangible property regulations to apply the improvement standards of Treas. Reg. § 1.263(a)-3(d) to the newly defined units of property and major components.

b) The applicant’s present method for the item being changed:

The Taxpayer determines whether a cost incurred in performing repairs and maintenance is capitalized as an improvement or treated as an otherwise deductible repair by following the method of accounting used in its regulatory books and records. The Taxpayer maintains its books and records in accordance with a Uniform System of Accounts set forth by the Federal Energy Regulatory Commission (FERC). In its books and records, the Taxpayer currently categorizes components of its electric transmission, and distribution system using a common chart of accounts. In addition, individual components of those systems are recorded into subaccounts. For federal income tax purposes, the Taxpayer follows its book method of accounting and capitalizes expenditures incurred in repairing, replacing, and renewing poles, conductor, and streetlight assets.

Because the Taxpayer’s present tax method of accounting generally follows its financial statement method, the Taxpayer currently does not undertake an affirmative assessment for federal income tax purposes of its units of property as required under Treas. Reg. §1.263(a)-3 with respect to the aforementioned items.

c) The applicant’s proposed method for the item being changed:

The Taxpayer will use the Transmission and Distribution Property Safe Harbor Method of Accounting as provided in Rev. Proc. 2011-43 for determining whether expenditures to maintain, replace, or improve linear electric transmission and distribution property must be capitalized under § 263(a) or are deductible under § 162. Also, under the proposed method, as required by the Safe Harbor Method, the taxpayer will determine its units of property for both linear and non-linear transmission and distribution property as provided in section 5.02 of Rev. Proc. 2011-43. Consistent with the concurrent change – (Automatic #184), the Taxpayer will apply the improvement standards to the newly defined units of property and major components.

**Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for
Electric Transmission and Distribution Property
Filed under Rev. Proc. 2015-14, section 3.09**

Units of Linear Property

With respect to Taxpayer's electric transmission and distribution property, Taxpayer will apply the safe harbor analysis described in section 5.01 of Rev. Proc. 2011-43. Under the safe harbor for linear property, the Taxpayer must determine whether each replacement of a portion of a unit of linear property is more than 10 percent of the unit of linear property. If more than 10 percent of the unit of linear property is replaced, the cost of the replacement will be capitalized. If 10 percent or less of the unit of property is replaced, the cost of the replacement will not be capitalized under § 263(a). In computing the percentage of a unit of property replaced, the Taxpayer will exclude "per se capital" expenditures. See section 5.03(2) of Rev. Proc. 2011-43. The Taxpayer will capitalize all "per se capital" expenditures consistent with section 5.06 of Rev. Proc. 2011-43.

The Taxpayer will rely on the transition rule in section 5.03(3) of Rev. Proc. 2011-43 by determining the percentage of linear property replaced on the basis of an average circuit within a county. Furthermore, for blanket work orders containing replacements to multiple circuits, the Taxpayer will rely on the special rule for blanket work orders in section 5.05(1) by allocating the replacements among the multiple circuits on a pro-rata basis.

The Taxpayer will examine any repairs and maintenance work not assumed to be covered within the safe harbor analysis described in section 5.01 of Rev. Proc. 2011-43 related to units of linear property to determine which costs are deductible under § 162 and Treas. Reg. §1.162-4 or a capital improvement under § 263(a) and the regulations thereunder.

Units of Non-Linear Property

With regard to nonlinear transmission and distribution property, the Taxpayer is not proposing to change anything other than the units of property at this time. As required by section 2.02 of Rev. Proc. 2011-43, the Taxpayer will continue using its present method of examining the facts and circumstance of its repairs and maintenance work related to units of non-linear property to determine which costs are deductible under §162 and Treas. Reg. §1.162-4 or a capital improvement under §263(a) and the regulations thereunder.

- d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

**Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for
Electric Transmission and Distribution Property
Filed under Rev. Proc. 2015-14, section 3.09**

Page 3, Part II, Line 13

Taxpayer's Trade or Business:

The Taxpayer is a regulated electric and gas utility engaged in the generation, transmission and distribution, and sale of electricity and the distribution of natural gas. Its principal business activity code is 221100. The Taxpayer has only one trade or business as described in Treas. Reg. § 1.446-1(d).

Page 3, Part II, Line 14

The Taxpayer will not use the proposed method of accounting for its books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may not be in conformance with generally accepted accounting principles (GAAP).

Page 3, Part II, Line 16

If it is tentatively determined that Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2011-14, as amplified and modified by Rev. Proc. 2011-43 and Rev. Proc. 2014-16, the privilege of a conference is hereby requested. To arrange the time and place of such a conference, please contact the Taxpayer's representative:

Scott Mackay
Ernst & Young LLP
1101 New York Avenue, N.W.
Washington, DC 20005

Or

Renae Davis
Ernst & Young LLP
1120 NW Couch Street
Portland, OR 97209

**Automatic Change to Safe Harbor Method of Accounting under Rev. Proc. 2011-43 for
Electric Transmission and Distribution Property
Filed under Rev. Proc. 2015-14, section 3.09**

Page 3, Part IV, Line 25

Amount of repairs and maintenance deducted under present method:	\$	0
Amount of repairs and maintenance deductible under proposed method:	\$(73,673,223)	
Difference – Negative § 481(a) adjustment:	\$(73,673,223)	

The Taxpayer incurred expenses for repairs and maintenance that were previously capitalized and depreciated over recovery periods up to twenty years for assets placed in service beginning January 1, 1994 through December 31, 2013. Under the proposed method, the amounts would have been expensed during the tax year incurred. The difference between the current method and proposed method is the remaining basis in the capitalized repairs and maintenance and other costs reflected above.

In determining the §481(a) adjustment for its electric transmission and distribution property, the Taxpayer computed a repair deduction percentage using specific data for the taxable years beginning January 1, 2011 through December 31, 2013 and extrapolated this repair deduction percentage to the taxable years beginning January 1, 1993 through December 31, 2010 following guidance provided within Appendix A to Rev. Proc. 2011-43. Additionally, the §481(a) adjustment does not include any amount attributable to property for which the Taxpayer elected to apply the repair allowance under § 1.167(a)-11(d)(2) for any taxable year in which the election was made.

Exhibit B

Form 3115, Application for Change of Accounting Method

Automatic change to deduct amounts paid or incurred for repairs and maintenance filed under Rev. Proc. 2013-24

Application for Change in Accounting Method

Name of filer (name of parent corporation if a consolidated group) (see instructions) Avista Corporation	Identification number (see instructions) <div style="text-align: center;">91-0462470</div> <hr/> Principal business activity code number (see instructions) <div style="text-align: center;">221100</div>
Number, street, and room or suite no. If a P.O. box, see the instructions. 1411 East Mission Avenue	Tax year of change begins (MM/DD/YYYY) 01/01/2014 Tax year of change ends (MM/DD/YYYY) 12/31/2014
City or town, state, and ZIP code Spokane, WA 99202	Name of contact person (see instructions) Scott Mackay
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)	Contact person's telephone number <div style="text-align: center;">1 (202) 327-6069</div>

If the applicant is a member of a consolidated group, check this box

If **Form 2848**, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box

Check the box to indicate the type of applicant. <input type="checkbox"/> Individual <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Controlled foreign corporation (Sec. 957) <input type="checkbox"/> 10/50 corporation (Sec. 904(d)(2)(E)) <input type="checkbox"/> Qualified personal service corporation (Sec. 448(d)(2)) <input type="checkbox"/> Exempt organization. Enter Code section ▶	<input type="checkbox"/> Cooperative (Sec. 1381) <input type="checkbox"/> Partnership <input type="checkbox"/> S corporation <input type="checkbox"/> Insurance co. (Sec. 816(a)) <input type="checkbox"/> Insurance co. (Sec. 831) <input type="checkbox"/> Other (specify) ▶	Check the appropriate box to indicate the type of accounting method change being requested. (see instructions) <input type="checkbox"/> Depreciation or Amortization <input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions <input checked="" type="checkbox"/> Other (specify) ▶ Rev. Proc. 2013-24
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Caution. To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes all information requested on this Form 3115 (including its instructions), as well as any other information that is not specifically requested.

The taxpayer must attach all applicable supplemental statements requested throughout this form.

Part I Information For Automatic Change Request

		Yes	No
1 Enter the applicable designated automatic accounting method change number for the requested automatic change. Enter only one designated automatic accounting method change number, except as provided for in guidance published by the IRS. If the requested change has no designated automatic accounting method change number, check "Other," and provide both a description of the change and citation of the IRS guidance providing the automatic change. See instructions. ▶ (a) Change No. <u>182</u> (b) Other <input type="checkbox"/> Description ▶ <u>N/A</u>	✓		
2 Do any of the scope limitations described in section 4.02 of Rev. Proc. 2008-52 cause automatic consent to be unavailable for the applicant's requested change? If "Yes," attach an explanation. <i>Note. Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable).</i>	✓		

Part II Information For All Requests

		Yes	No
3 Did or will the applicant cease to engage in the trade or business to which the requested change relates, or terminate its existence, in the tax year of change (see instructions)? If "Yes," the applicant is not eligible to make the change under automatic change request procedures.	✓		
4a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)? If "No," go to line 5.	✓		
b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)?	✓		

Signature (see instructions)

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer

 Signature and date

DONALD FALKNER, TAX DIRECTOR & ASST. TREASURER

 Name and title (print or type)

Preparer (other than filer/applicant)

 Signature of individual preparing the application and date

RENAE DAVIS

 Name of individual preparing the application (print or type)

ERNST & YOUNG LLP

 Name of firm preparing the application

Part II Information For All Requests (continued)

	Yes	No
4c Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?		✓
d Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)? If "Yes," attach the consent statement from the director.		✓
e Is the request to change the method of accounting being filed under the 90-day or 120-day window period? If "Yes," check the box for the applicable window period and attach the required statement (see instructions). <input type="checkbox"/> 90 day <input type="checkbox"/> 120 day: Date examination ended ▶ _____ N/A _____		✓
f If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination. Name ▶ _____ Telephone number ▶ _____ Tax year(s) ▶ _____		
g Has a copy of this Form 3115 been provided to the examining agent identified on line 4f?		✓
5a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court? If "Yes," enter the name of the (check the box) <input type="checkbox"/> Appeals officer and/or <input type="checkbox"/> counsel for the government, telephone number, and the tax year(s) before Appeals and/or a Federal court. Name ▶ _____ Telephone number ▶ _____ Tax year(s) ▶ _____		✓
b Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a?	N	A
c Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member) (see instructions)? If "Yes," attach an explanation.	N	A
6 If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, attach a statement that provides each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court.		
7 If, for federal income tax purposes, the applicant is either an entity (including a limited liability company) treated as a partnership or an S corporation, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member, or shareholder of that entity? If "Yes," the applicant is not eligible to make the change.	N	A
8a Does the applicable revenue procedure (advance consent or automatic consent) state that the applicant does not receive audit protection for the requested change (see instructions)?		✓
b If "Yes," attach an explanation. _____ N/A _____		
9a Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in method of accounting within the past 5 years (including the year of the requested change)?	✓	
b If "Yes," for each trade or business, attach a description of each requested change in method of accounting (including the tax year of change) and state whether the applicant received consent. SEE STATEMENT		
c If any application was withdrawn, not perfected, or denied, or if a Consent Agreement granting a change was not signed and returned to the IRS, or the change was not made or not made in the requested year of change, attach an explanation. SEE STATEMENT		
10a Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in method of accounting, or technical advice?	✓	
b If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in method of accounting, or technical advice), and the specific issue(s) in the request(s). SEE STATEMENT		
11 Is the applicant requesting to change its overall method of accounting? SEE STATEMENT If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of this form. _____ N/A _____		✓
Present method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		
Proposed method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		

Part II Information For All Requests (continued)				Yes	No	
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following:					
a	The item(s) being changed. SEE STATEMENT					
b	The applicant's present method for the item(s) being changed. SEE STATEMENT					
c	The applicant's proposed method for the item(s) being changed. SEE STATEMENT					
d	The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT					
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE STATEMENT					
14	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions If "No," attach an explanation. SEE STATEMENT			✓		
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?				✓	
b	If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application. N/A					
16	Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response? SEE STATEMENT			✓		
17	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change.					
	1st preceding year ended: mo.	yr.	2nd preceding year ended: mo.	yr.	3rd preceding year ended: mo.	yr.
	\$	N/A	\$	N/A	\$	N/A

Part III Information For Advance Consent Request				Yes	No
18	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request? If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.				
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.				
20	Attach a copy of all documents related to the proposed change (see instructions).				
21	Attach a statement of the applicant's reasons for the proposed change.				
22	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation.				
23a	Enter the amount of user fee attached to this application (see instructions). ▶ \$ _____				
b	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).				

Part IV Section 481(a) Adjustment				Yes	No
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes," do not complete lines 25, 26, and 27 below. N/A				✓
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ▶ \$ <u>-\$40,051,773</u> Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant. SEE STATEMENT				

Part IV Section 481(a) Adjustment (continued)		Yes	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?	N	A
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation.		✓
		N/A	

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.)

Part I Change in Overall Method (see instructions) N/A

- Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

	Amount
a Income accrued but not received (such as accounts receivable)	\$
b Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method	
c Expenses accrued but not paid (such as accounts payable)	
d Prepaid expenses previously deducted	
e Supplies on hand previously deducted and/or not previously reported	
f Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II	
g Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. ▶	
h Net section 481(a) adjustment (Combine lines 1a–1g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 25.	\$
- Is the applicant also requesting the recurring item exception under section 461(h)(3)? Yes No
- Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a statement explaining the differences.

Part II Change to the Cash Method For Advance Consent Request (see instructions) N/A

Applicants requesting a change to the cash method must attach the following information:

- A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
- An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

Schedule B—Change to the Deferral Method for Advance Payments (see instructions) N/A

- If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991, attach the following information:
 - A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.
 - If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required by section 8.02(3)(a)–(c) of Rev. Proc. 2004-34.
 - If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required by section 8.03(2)(a)–(f) of Rev. Proc. 2004-34.
- If the applicant is requesting to change to the deferral method for advance payments described in Regulations section 1.451-5(b)(1)(ii), attach the following.
 - A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).
 - A statement explaining what portions of the advance payments, if any, are attributable to services, whether such services are integral to the provisions of goods or items, and whether any portions of the advance payments that are attributable to non-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) and (3).
 - A statement explaining that the advance payments will be included in income no later than when included in gross receipts for purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).
 - A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and if so, when substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income.

Schedule C—Changes Within the LIFO Inventory Method (see instructions)**Part I General LIFO Information**

N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a Valuing inventory (e.g., unit method or dollar-value method).
 - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
 - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
 - d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
 - a A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
 - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions)

Part I Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.) N/A

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities.
2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)?
b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)?
c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)?
d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)?
3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)?
b If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
c Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods.
4 To determine a contract's completion factor using the percentage-of-completion method:
a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)?
b If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))?
5 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.) N/A

- 1 Attach a description of the inventory goods being changed.
2 Attach a description of the inventory goods (if any) NOT being changed.
3a Is the applicant subject to section 263A? If "No," go to line 4a
b Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? If "No," attach a detailed explanation

4a Check the appropriate boxes below.

Identification methods:

- Specific identification
FIFO
LIFO
Other (attach explanation)

Valuation methods:

- Cost
Cost or market, whichever is lower
Retail cost
Retail, lower of cost or market
Other (attach explanation)

b Enter the value at the end of the tax year preceding the year of change

Table with 3 columns: Inventory Being Changed (Present method, Proposed method) and Inventory Not Being Changed (Present method). Rows correspond to identification and valuation methods.

5 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).

- a Copies of Form(s) 970 filed to adopt or expand the use of the method.
b Only for applicants requesting advance consent. A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
c Only for applicants requesting an automatic change. The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)). N/A

Section A—Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B—Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	Present method	Proposed method
1 Direct material		
2 Direct labor		
3 Indirect labor		
4 Officers' compensation (not including selling activities)		
5 Pension and other related costs		
6 Employee benefits		
7 Indirect materials and supplies		
8 Purchasing costs		
9 Handling, processing, assembly, and repackaging costs		
10 Offsite storage and warehousing costs		
11 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12 Depletion		
13 Rent		
14 Taxes other than state, local, and foreign income taxes		
15 Insurance		
16 Utilities		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18 Engineering and design costs (not including section 174 research and experimental expenses)		
19 Rework labor, scrap, and spoilage		
20 Tools and equipment		
21 Quality control and inspection		
22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23 Licensing and franchise costs		
24 Capitalizable service costs (including mixed service costs)		
25 Administrative costs (not including any costs of selling or any return on capital)		
26 Research and experimental expenses attributable to long-term contracts		
27 Interest		
28 Other costs (Attach a list of these costs.)		

Part III Method of Cost Allocation (see instructions) (continued)

N/A

Section C—Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its method for these costs.)

	Present method	Proposed method
1 Marketing, selling, advertising, and distribution expenses		
2 Research and experimental expenses not included in Section B, line 26		
3 Bidding expenses not included in Section B, line 22		
4 General and administrative costs not included in Section B		
5 Income taxes		
6 Cost of strikes		
7 Warranty and product liability costs		
8 Section 179 costs		
9 On-site storage		
10 Depreciation, amortization, and cost recovery allowance not included in Section B, line 11		
11 Other costs (Attach a list of these costs.)		

Schedule E—Change in Depreciation or Amortization (see instructions)

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants **must** provide this information for each item or class of property for which a change is requested.

Note. See the **List of Automatic Accounting Method Changes** in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. **Do not** file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1 Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)? **Yes** **No**
If "Yes," the only changes permitted are under Regulations section 1.167(a)-11(c)(1)(iii).
- 2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)? **Yes** **No**
If "Yes," enter the applicable section ►
- 3 Has a depreciation, amortization, or expense election been made for the property (e.g., the election under sections 168(f)(1), 179, or 179C)? **Yes** **No**
If "Yes," state the election made ►
- 4a To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity.
- b If the property is residential rental property, did the applicant live in the property before renting it? . . **Yes** **No**
- c Is the property public utility property? **Yes** **No**
- 5 To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.).
- 6 If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property.
- 7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods:
 - a The Code section under which the property is or will be depreciated or amortized (e.g., section 168(g)).
 - b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
 - c The facts to support the asset class for the proposed method.
 - d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
 - e The useful life, recovery period, or amortization period of the property.
 - f The applicable convention of the property.
 - g A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section 168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation as to why no special depreciation allowance was or will be claimed.

**Automatic change to deduct amounts paid or incurred for repairs and maintenance
Filed under Rev. Proc. 2013-24**

Page 1, Name of Applicant(s)

Unless otherwise specified, a reference to the "Taxpayer" in this document refers to the following applicants:

Applicants	E.I.N.	Principal Business Activity Code
Avista Corporation	91-0462470	221100

Request for Faxed Documents

In accordance with the procedures set forth in § 9.04(3) of Rev. Proc. 2015-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number: Donald Falkner (509) 495-4326

Authorized Representatives'
Fax Numbers:

Scott Mackay (844) 511-2786
Renaë Davis (866) 507-5623

Page 2, Part II, Lines 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change), and/or has the following request(s) pending:

Statement I

**Automatic change to deduct amounts paid or incurred for repairs and maintenance
Filed under Rev. Proc. 2013-24**

Entity making request	Description of change	Consent Obtained	Tax Year
Avista Corporation (EIN: 91-0462470)	Filed a Form 3115 requesting to change its method of accounting related to repairs and maintenance for the tax year ended December 31, 2009. This requested method change was later withdrawn by Avista Corporation	No	2009
Avista Corporation (EIN: 91-0462470)	Change in accounting method for late general asset account elections.	Yes	2013
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2011-43 to determine whether expenditures to maintain, replace, or improve electric transmission and distribution property must be capitalized under section 263.	Automatic pursuant to Rev. Proc. 2015-14, section 3.09	2014
Avista Corporation (EIN: 91-0462470)	Change its method of accounting from capitalizing under § 263(a) certain costs paid or incurred for gas transmission and distribution property to deducting these amounts as repair and maintenance costs under § 162 and Treas. Reg. § 1.162-4	Automatic pursuant to Rev. Proc. 2011-14, Appendix § 10.11(3)(a) (v), as added and modified by Rev. Proc. 2014-16	2014

**Automatic change to deduct amounts paid or incurred for repairs and maintenance
Filed under Rev. Proc. 2013-24**

<p>Avista Corporation (EIN: 91-0462470)</p>	<p>Change to reverse a partial disposition loss related to certain electric generation assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).</p>	<p>Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54</p>	<p>2014</p>
<p>Avista Corporation (EIN: 91-0462470)</p>	<p>Change to reverse a partial disposition loss related to certain electric transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).</p>	<p>Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54</p>	<p>2014</p>
<p>Avista Corporation (EIN: 91-0462470)</p>	<p>Change to reverse a partial disposition loss related to certain gas transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).</p>	<p>Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54</p>	<p>2014</p>

**Automatic change to deduct amounts paid or incurred for repairs and maintenance
Filed under Rev. Proc. 2013-24**

Avista Corporation (EIN: 91-0462470)	Change to late partial disposition elections for generation assets, electric transmission and distribution, and gas transmission and distribution assets made under § 1.168(i)-8(d)(2)(i)	Automatic pursuant to Rev. Proc. 2015-14, section 6.33	2014
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Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is requesting a change in its method of accounting for defining units of property related to certain generation assets, as provided in Rev. Proc. 2013-24, for purposes of determining whether expenditures to maintain, replace, or improve generation property must be capitalized under §263(a) or are deductible under §162. Specifically, the Taxpayer will adopt the unit of property and major component definitions described in Appendix A, Sections 2 through 4 of Rev. Proc. 2013-24. As required under section 3.02 of Rev. Proc. 2013-24, this change does not include property used to produce electricity from alternative energy sources such as wind or photovoltaic. The Taxpayer is concurrently changing its method of accounting to comply with the final tangible property regulations to apply the improvement standards of Treas. Reg. § 1.263(a)-3(d) to the newly defined units of property and major components.

b) The applicant's present method for the item being changed:

The Taxpayer determines whether a cost incurred in performing repairs and maintenance is capitalized as an improvement or treated as an otherwise deductible repair. The Taxpayer maintains its books and records in accordance with a Uniform System of Accounts set forth by the Federal Energy Regulatory Commission (FERC). In its books and records, the Taxpayer currently categorizes components of its electric generation system using a common chart of accounts. In addition, individual items of those systems are recorded into subaccounts. For federal income tax purposes, the Taxpayer follows its book method of accounting and capitalizes expenditures incurred in repairing, replacing, and renewing generation plant assets. Furthermore, these items are recovered, for federal income tax purposes, under §168 over a period of up to 20 years.

Because the Taxpayer's present tax method of accounting generally follows its financial statement method, the Taxpayer currently does not undertake an affirmative assessment for federal income tax purposes of its units of property as required under Treas. Reg. §1.263(a)-3 with respect to the aforementioned items.

Statement 4

**Automatic change to deduct amounts paid or incurred for repairs and maintenance
Filed under Rev. Proc. 2013-24**

- c) The applicant's proposed method for the item being changed:

The Taxpayer will adopt the definition of generation property as provided in Section 4.01 of Rev. Proc. 2013-24 for determining whether expenditures to maintain, replace, or improve property used to generate steam or electricity must be capitalized under §263(a). Specifically, the Taxpayer will determine its units of property in accordance with the requirements set forth in Appendix A and as outlined in Sections 2 – Units of Property for Coal-Fired Power Stations, Section 3 – Units of Property for Natural Gas or Oil Fired Power Stations, and Section 4 – Units of Property for Hydroelectric Power Stations.. Taxpayer will then determine whether expenditures to maintain, replace, or improve generation property must be capitalized under § 263(a) or are deductible under § 162 using the units of property for generation as adopted. Consistent with the concurrent change – (Automatic #184), the Taxpayer will apply the improvement standards to the newly defined units of property and major components.

- d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

Page 3, Part II, Line 13

Taxpayer's Trade or Business:

The Taxpayer is a regulated electric and gas utility engaged in the generation, transmission and distribution, and sale of electricity and the distribution of natural gas. Its principal business activity code is 221100. The Taxpayer has only one trade or business as described in Treas. Reg. § 1.446-1(d).

Page 3, Part II, Line 14

The Taxpayer will not use the proposed method of accounting for its books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may not be in conformance with generally accepted accounting principles (GAAP).

Page 3, Part II, Line 16

If it is tentatively determined that Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2013-24, the privilege of a

Statement 5

**Automatic change to deduct amounts paid or incurred for repairs and maintenance
Filed under Rev. Proc. 2013-24**

conference is hereby requested. To arrange the time and place of such a conference, please contact the Taxpayer's representative:

Scott Mackay
Ernst & Young LLP
1101 New York Avenue, N.W.
Washington, DC 20005

Or

Renaë Davis
Ernst & Young LLP
1120 NW Couch Street
Portland, OR 97209

Page 3, Part IV, Line 25

Amount of repairs and maintenance deducted under present method:	\$	0
Amount of repairs and maintenance deductible under proposed method:	\$	(40,051,773)
Difference – Negative § 481(a) adjustment:	\$	(40,051,773)

The Taxpayer incurred expenses for repairs and maintenance that were previously capitalized and depreciated over recovery periods up to twenty years for assets placed in service beginning January 1, 1993 through December 31, 2013. Under the proposed method, the amounts would have been expensed during the tax year incurred. The difference between the current method and proposed method is the remaining basis in the capitalized repairs and maintenance and other costs reflected above.

In determining the §481(a) adjustment for its generation assets, the Taxpayer computed a repair deduction percentage using specific data for the taxable years beginning January 1, 2011 through December 31, 2014 and extrapolated this repair deduction percentage to the taxable years beginning January 1, 1993 through December 31, 2010 following guidance provided within Appendix B to Rev. Proc. 2013-24. Additionally, the §481(a) adjustment does not include any amount attributable to property for which the Taxpayer elected to apply the repair allowance under § 1.167(a)-11(d)(2) for any taxable year in which the election was made.

Exhibit C

Form 3115, Application for Change of Accounting Method

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

Application for Change in Accounting Method

Name of filer (name of parent corporation if a consolidated group) (see instructions)		Identification number (see instructions)	
Avista Corporation		91-0462470	
Number, street, and room or suite no. If a P.O. box, see the instructions.		Principal business activity code number (see instructions)	
1411 East Mission Avenue		221100	
City or town, state, and ZIP code		Tax year of change begins (MM/DD/YYYY)	01/01/2014
Spokane, WA 99202		Tax year of change ends (MM/DD/YYYY)	12/31/2014
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)		Name of contact person (see instructions)	
		Scott Mackay	
		Contact person's telephone number	
		1 (202) 327-6069	

If the applicant is a member of a consolidated group, check this box

If **Form 2848**, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box

Check the box to indicate the type of applicant.

Individual Cooperative (Sec. 1381)

Corporation Partnership

Controlled foreign corporation (Sec. 957) S corporation

10/50 corporation (Sec. 904(d)(2)(E)) Insurance co. (Sec. 816(a))

Qualified personal service corporation (Sec. 448(d)(2)) Insurance co. (Sec. 831)

Exempt organization. Enter Code section ▶ Other (specify) ▶

Check the appropriate box to indicate the type of accounting method change being requested. (see instructions)

Depreciation or Amortization

Financial Products and/or Financial Activities of Financial Institutions

Other (specify) ▶ Rev. Proc. 2014-16
Repairs and Maintenance Costs

Caution. To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes all information requested on this Form 3115 (including its instructions), as well as any other information that is not specifically requested.

The taxpayer must attach all applicable supplemental statements requested throughout this form.

Part I Information For Automatic Change Request

		Yes	No
1 Enter the applicable designated automatic accounting method change number for the requested automatic change. Enter only one designated automatic accounting method change number, except as provided for in guidance published by the IRS. If the requested change has no designated automatic accounting method change number, check "Other," and provide both a description of the change and citation of the IRS guidance providing the automatic change. See instructions.			
▶ (a) Change No. <u>184</u> (b) Other <input type="checkbox"/> Description ▶ <u>N/A</u>			
2 Do any of the scope limitations described in section 4.02 of Rev. Proc. 2008-52 cause automatic consent to be unavailable for the applicant's requested change? If "Yes," attach an explanation.			✓
Note. Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable).			

Part II Information For All Requests

		Yes	No
3 Did or will the applicant cease to engage in the trade or business to which the requested change relates, or terminate its existence, in the tax year of change (see instructions)? If "Yes," the applicant is not eligible to make the change under automatic change request procedures.			✓
4a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)? If "No," go to line 5.			✓
b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)?			✓

Signature (see instructions)

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer

Donald Falkner 9/8/15
 Signature and date

DONALD FALKNER, TAX DIRECTOR & ASST. TREASURER
 Name and title (print or type)

Preparer (other than filer/applicant)

Renae Davis
 Signature of individual preparing the application and date

RENAE DAVIS
 Name of individual preparing the application (print or type)

ERNST & YOUNG LLP
 Name of firm preparing the application

Part II Information For All Requests (continued)

Yes No

- 4c Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?
- d Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)?
If "Yes," attach the consent statement from the director.
- e Is the request to change the method of accounting being filed under the 90-day or 120-day window period?
If "Yes," check the box for the applicable window period and attach the required statement (see instructions).
 90 day 120 day: Date examination ended ► _____ N/A
- f If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination.
Name ► _____ Telephone number ► _____ Tax year(s) ► _____
- g Has a copy of this Form 3115 been provided to the examining agent identified on line 4f?
- 5a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court?
If "Yes," enter the name of the (check the box) Appeals officer and/or counsel for the government, telephone number, and the tax year(s) before Appeals and/or a Federal court.
Name ► _____ Telephone number ► _____ Tax year(s) ► _____
- b Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a? N A
- c Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member) (see instructions)? N A
If "Yes," attach an explanation.
- 6 If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, attach a statement that provides each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court.
- 7 If, for federal income tax purposes, the applicant is either an entity (including a limited liability company) treated as a partnership or an S corporation, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member, or shareholder of that entity? N A
If "Yes," the applicant is **not** eligible to make the change.
- 8a Does the applicable revenue procedure (advance consent or automatic consent) state that the applicant does not receive audit protection for the requested change (see instructions)?
b If "Yes," attach an explanation. N/A
- 9a Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in method of accounting within the past 5 years (including the year of the requested change)?
- b If "Yes," for each trade or business, attach a description of each requested change in method of accounting (including the tax year of change) and state whether the applicant received consent. SEE STATEMENT
- c If any application was withdrawn, not perfected, or denied, or if a Consent Agreement granting a change was not signed and returned to the IRS, or the change was not made or not made in the requested year of change, attach an explanation. SEE STATEMENT
- 10a Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in method of accounting, or technical advice?
- b If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in method of accounting, or technical advice), and the specific issue(s) in the request(s). SEE STATEMENT
- 11 Is the applicant requesting to change its **overall** method of accounting?
If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of this form. N/A
Present method: Cash Accrual Hybrid (attach description)
Proposed method: Cash Accrual Hybrid (attach description)

Part II Information For All Requests (continued)				Yes	No	
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following:					
a	The item(s) being changed. SEE STATEMENT					
b	The applicant's present method for the item(s) being changed. SEE STATEMENT					
c	The applicant's proposed method for the item(s) being changed. SEE STATEMENT					
d	The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT					
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE STATEMENT					
14	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions If "No," attach an explanation. SEE STATEMENT				✓	
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?				✓	
b	If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application. N/A					
16	Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response? SEE STATEMENT			✓		
17	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change.					
	1st preceding year ended: mo.	yr.	2nd preceding year ended: mo.	yr.	3rd preceding year ended: mo.	yr.
	\$	N/A	\$	N/A	\$	N/A

Part III Information For Advance Consent Request				Yes	No
18	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request? If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.				
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.				
20	Attach a copy of all documents related to the proposed change (see instructions).				
21	Attach a statement of the applicant's reasons for the proposed change.				
22	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation.				
23a	Enter the amount of user fee attached to this application (see instructions). ▶ \$ _____				
b	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).				

Part IV Section 481(a) Adjustment				Yes	No
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes," do not complete lines 25, 26, and 27 below. N/A				✓
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ▶ \$ <u>-15,935,262</u> Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant. SEE STATEMENT				

Part IV Section 481(a) Adjustment (continued)		Yes	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?	N	A
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation.		✓
		N/A	

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.)

Part I Change in Overall Method (see instructions) N/A

- Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

	Amount
a Income accrued but not received (such as accounts receivable)	\$
b Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method	
c Expenses accrued but not paid (such as accounts payable)	
d Prepaid expenses previously deducted	
e Supplies on hand previously deducted and/or not previously reported	
f Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II	
g Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. ▶	
h Net section 481(a) adjustment (Combine lines 1a–1g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 25.	\$
- Is the applicant also requesting the recurring item exception under section 461(h)(3)? Yes No
- Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a statement explaining the differences.

Part II Change to the Cash Method For Advance Consent Request (see instructions) N/A

Applicants requesting a change to the cash method must attach the following information:

- A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
- An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

Schedule B—Change to the Deferral Method for Advance Payments (see instructions) N/A

- If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991, attach the following information:
 - A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.
 - If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required by section 8.02(3)(a)–(c) of Rev. Proc. 2004-34.
 - If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required by section 8.03(2)(a)–(f) of Rev. Proc. 2004-34.
- If the applicant is requesting to change to the deferral method for advance payments described in Regulations section 1.451-5(b)(1)(ii), attach the following.
 - A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).
 - A statement explaining what portions of the advance payments, if any, are attributable to services, whether such services are integral to the provisions of goods or items, and whether any portions of the advance payments that are attributable to non-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) and (3).
 - A statement explaining that the advance payments will be included in income no later than when included in gross receipts for purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).
 - A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and if so, when substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income.

Schedule C—Changes Within the LIFO Inventory Method (see instructions)**Part I General LIFO Information**

N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all **Forms 970, Application To Use LIFO Inventory Method**, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a Valuing inventory (e.g., unit method or dollar-value method).
 - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
 - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
 - d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
 - a A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
 - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other
Section 263A Assets (see instructions)

Part I Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.) N/A

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities.
2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)?
b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)?
c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)?
d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)?
3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)?
b If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
c Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods.
4 To determine a contract's completion factor using the percentage-of-completion method:
a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)?
b If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))?
5 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.) N/A

- 1 Attach a description of the inventory goods being changed.
2 Attach a description of the inventory goods (if any) NOT being changed.
3a Is the applicant subject to section 263A? If "No," go to line 4a
b Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? If "No," attach a detailed explanation

4a Check the appropriate boxes below.

Identification methods:

- Specific identification
FIFO
LIFO
Other (attach explanation)

Valuation methods:

- Cost
Cost or market, whichever is lower
Retail cost
Retail, lower of cost or market
Other (attach explanation)

Table with 3 columns: Inventory Being Changed (Present method, Proposed method), Inventory Not Being Changed (Present method). Rows correspond to identification and valuation methods.

- b Enter the value at the end of the tax year preceding the year of change
5 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).
a Copies of Form(s) 970 filed to adopt or expand the use of the method.
b Only for applicants requesting advance consent. A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
c Only for applicants requesting an automatic change. The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)). N/A

Section A—Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B—Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	Present method	Proposed method
1 Direct material		
2 Direct labor		
3 Indirect labor		
4 Officers' compensation (not including selling activities)		
5 Pension and other related costs		
6 Employee benefits		
7 Indirect materials and supplies		
8 Purchasing costs		
9 Handling, processing, assembly, and repackaging costs		
10 Offsite storage and warehousing costs		
11 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12 Depletion		
13 Rent		
14 Taxes other than state, local, and foreign income taxes		
15 Insurance		
16 Utilities		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18 Engineering and design costs (not including section 174 research and experimental expenses)		
19 Rework labor, scrap, and spoilage		
20 Tools and equipment		
21 Quality control and inspection		
22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23 Licensing and franchise costs		
24 Capitalizable service costs (including mixed service costs)		
25 Administrative costs (not including any costs of selling or any return on capital)		
26 Research and experimental expenses attributable to long-term contracts		
27 Interest		
28 Other costs (Attach a list of these costs.)		

Part III Method of Cost Allocation (see instructions) (continued)

N/A

Section C—Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its method for these costs.)

Table with 3 columns: Line number, Description, Present method, Proposed method. Rows include Marketing, selling, advertising, and distribution expenses; Research and experimental expenses; Bidding expenses; General and administrative costs; Income taxes; Cost of strikes; Warranty and product liability costs; Section 179 costs; On-site storage; Depreciation, amortization, and cost recovery allowance; Other costs.

Schedule E—Change in Depreciation or Amortization (see instructions)

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants must provide this information for each item or class of property for which a change is requested.

Note. See the List of Automatic Accounting Method Changes in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1 Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)?
2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)?
3 Has a depreciation, amortization, or expense election been made for the property (e.g., the election under sections 168(f)(1), 179, or 179C)?
4a To the extent not already provided, attach a statement describing the property being changed.
b If the property is residential rental property, did the applicant live in the property before renting it?
c Is the property public utility property?
5 To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the property is treated under the applicant's present method.
6 If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property.
7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods:
a The Code section under which the property is or will be depreciated or amortized.
b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
c The facts to support the asset class for the proposed method.
d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
e The useful life, recovery period, or amortization period of the property.
f The applicable convention of the property.
g A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section 168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation as to why no special depreciation allowance was or will be claimed.

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

Page 1, Name of Applicant(s)

Unless otherwise specified, a reference to the "Taxpayer" in this document refers to the following applicants:

Applicants	E.I.N.	Principal Business Activity Code
Avista Corporation	91-0462470	221100

Request for Faxed Documents

In accordance with the procedures set forth in § 9.04(3) of Rev. Proc. 2015-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number: Donald Falkner (509) 495-4326

Authorized Representatives'
Fax Numbers:

Scott Mackay (844) 511-2786
Renaë Davis (866) 507-5623

Page 2, Part II, Lines 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change), and/or has the following request(s) pending:

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

Entity making request	Description of change	Consent Obtained	Tax Year
Avista Corporation (EIN: 91-0462470)	Filed a Form 3115 requesting to change its method of accounting related to repairs and maintenance for the tax year ended December 31, 2009. This requested method change was later withdrawn by Avista Corporation	No	2009
Avista Corporation (EIN: 91-0462470)	Change in accounting method for late general asset account elections.	Yes	2013
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2013-24 to determine whether expenditures to maintain, replace, or improve property used to generate steam or electricity must be capitalized under § 263(a)	Automatic pursuant to Rev. Proc. 2015-14, section 3.20	2014
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2011-43 to determine whether expenditures to maintain, replace, or improve electric transmission and distribution property must be capitalized under section 263.	Automatic pursuant to Rev. Proc. 2015-14, section 3.09	2014

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric generation assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain gas transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to late partial disposition elections for generation assets, electric transmission and	Automatic pursuant to Rev. Proc. 2015-14,	2014

Statement 3

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

	distribution, and gas transmission and distribution assets made under § 1.168(i)-8(d)(2)(i)	section 6.33	
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Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is filing change 184 to change its method of accounting to comply with Treas. Reg. Section 1.263(a)-3 and Treas. Reg. Section 1.162-4 pertaining to the capitalization of improvement expenditures, the deduction of repair and maintenance expenditures, and the identification of the appropriate unit of property. Specifically, the Taxpayer is changing its method of accounting from capitalizing under §263(a) certain costs paid or incurred for certain: (1) non-linear electric transmission & distribution property, (2) gas transmission & distribution property, (3) electric generation property, (4) building property, and (5) other tangible property owned by the taxpayer to deducting these amounts as repair and maintenance costs under §162. In addition, the Taxpayer is changing its unit of property for any property owned by the taxpayer that is not: (1) electric generation property, or (2) electric transmission & distribution property.

b) The applicant's present method for the item being changed:

The Taxpayer determines whether a cost incurred in performing repairs and maintenance is capitalized as an improvement or treated as an otherwise deductible repair. The Taxpayer maintains its books and records in accordance with a Uniform System of Accounts set forth by the Federal Energy Regulatory Commission (FERC). In its books and records, the Taxpayer currently categorizes components of its gas distribution system using a common chart of accounts. In addition, individual items of those systems are recorded into subaccounts. For federal income tax purposes, the Taxpayer follows its book method of accounting and capitalizes expenditures incurred in repairing, replacing, and renewing, distribution mains and services. Furthermore, these items are recovered, for federal income tax purposes, under §168 over a period of 20 years.

Because the Taxpayer's present tax method of accounting generally follows its financial statement method, the Taxpayer currently does not undertake an affirmative assessment for federal income tax purposes of its units of property as required under Treas. Reg. §1.263(a)-3 with respect to the aforementioned items. For example, under the present method, each power operated valve that is 6" or larger would be the unit of property as that is the unit of property for FERC purposes which is what the Taxpayer currently uses

Statement 4

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

in its analysis. Similarly, the following are additional examples of units of property based upon FERC; cathodic protection, lines including pipe, valves, fittings and supports, scrubbers, power operated pressure reducing, atmospheric relief valves, 6" nominal pipe and larger, among others.

c) The applicant's proposed method for the item being changed:

The Taxpayer will deduct under §162 and Treas. Reg. §1.162-4 amounts paid for repairs and maintenance to mains and services if such amounts paid are not otherwise required to be capitalized. Section 162 provides that a taxpayer may generally deduct all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including incidental repairs. Treas. Reg. §1.162-4 provides that amounts paid for repairs and maintenance may be deducted if not otherwise required to be capitalized.

As such, under its proposed method the Taxpayer will examine the facts and circumstances of its repair and maintenance activities and apply the principles of Treas. Reg. §1.263(a)-3 ("the improvement rules") to determine whether the amounts for repairs and maintenance to mains and services are required to be capitalized.

Units of Linear Property

Under the proposed method, the Taxpayer will also determine its units of property for purposes of the above analysis in accordance with Treas. Reg. §1.263(a)-3(e), which defines a "unit of property." Generally, for tangible property other than a building, the unit of property determination is based upon a functional interdependence standard. Components of property are functionally interdependent if the placing in service of one component by the taxpayer is dependent on the placing in service of another component by the taxpayer. Further, all the components that are functionally interdependent with each other comprise a single unit of property.

Plant property is functionally interdependent machinery or equipment, other than "network assets" (defined below) that perform an industrial process, such as manufacturing, generation, warehousing, distribution, automated materials handling in service industries, or other similar activities. A gas distribution system consists of many functionally interdependent components including, for example, the gas storage area, intake valves, transmission and distribution piping (including mains), regulators, service lines, meters, and other related components.¹

¹ See, e.g., *Public Service Co. of New Mexico v. United States*, 431 F.2d 980 (10th Cir. 1970) (all of the component assets constituted a complete unit that was operational and placed in service when operational);

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

For gas transmission and distribution network assets, the unit of property is determined by the taxpayer's particular facts and circumstances, except as provided in published guidance; the functional interdependence standard is not determinative. The IRS issued guidance defining units of property for the telecommunications industry and for electric transmission and distribution assets.² Under Treas. Reg. §1.263(a)-3(e)(3)(iii), network assets means railroad track, oil and gas pipelines, water and sewage pipelines, power transmission and distribution lines, and telephone and cable lines that are owned or leased by taxpayers in those respective industries.

For example, Rev. Proc. 2011-43 pertains to taxpayers engaged in the business of electric transmission and distribution ("T&D"). These taxpayers typically incur significant costs to maintain, replace, and improve T&D property and have historically faced difficulties in determining the appropriate tax treatment of such expenditures (i.e., whether they should be capitalized as improvements under § 263(a) or deductible as repairs under § 162). This difficulty arises from the nature of electricity T&D property, which consists of networks of interconnected items, such as poles, conductors, and transformers.

Similarly and by analogy (as the cited revenue procedure is not applicable to gas distribution and service lines), the Taxpayer's property consists of networks of intermediate and low pressure mains ultimately arriving at the customer service main and meters to an individual residence or business.

The Taxpayer's method change request relates to its gas distribution network assets, specifically its distribution mains and services. The Taxpayer believes that using the total linear feet of mains and services by construction office is the appropriate definition for identifying the unit of property.

Under the Taxpayer's proposed method of accounting, the Taxpayer will utilize the standards described in Treasury Reg. Section 1.263(a)-3 (i.e., the betterment standards as provided in Treas. Reg. Section 1.263(a)-3(j), the restoration standards as provided in Treas. Reg. Section 1.263(a)-3(k), the adaptation to a new or different use standards as provided in Treas. Reg. Section 1.263(a)-3(l), the routine maintenance safe harbor standards as provided in Treas. Reg. Section 1.263(a)-3(i) and the removal cost standards for property not disposed of for tax purposes as provided in Treas. Reg. Section 1.263(a)-

Consumers power Co v. Commissioner, 89 T.C. 710 (1987) (plant must be viewed as one integrated unit because the physical plant and the reservoir operate simultaneously and as a unit in order to produce electrical power); Rev. Rul. 76-238, 1976-1 C.B. 55 (1976) (individual units of machinery and equipment not placed in service until entire production line was available); Rev. Rul. 76-428, 1976-2 C.B. 47 (1976).

² Revenue Procedure 2011-22 and Revenue Procedure 2011-43, respectively

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

3(g)(2)) for purposes of determining whether an expenditure on a unit of property results in a deductible repair or a capital improvement. Accordingly, the Taxpayer, under its proposed method of accounting, will properly capitalize all expenditures required to be capitalized as improvements pursuant to Treas. Reg. Section 1.263(a)-3(d). The Taxpayer will also deduct all expenditures that are not required to be capitalized as improvements pursuant to Treas. Reg. Section 1.263(a)-3(d), provided that such repair and maintenance expenditures are deductible under Treas. Reg. Section 1.162-4, the Taxpayer has not made an election under Treas. Reg. Section 1.263(a)-3(n) to capitalize such expenditures (to the extent the expenditures are also capitalized for the Taxpayer's books and records), and the expenditures are not otherwise required to be capitalized.

d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

Page 3, Part II, Line 13

Taxpayer's Trade or Business:

The Taxpayer is a regulated electric and gas utility engaged in the generation, transmission and distribution, and sale of electricity and the distribution of natural gas. Its principal business activity code is 221100. The Taxpayer has only one trade or business as described in Treas. Reg. § 1.446-1(d).

Page 3, Part II, Line 14

The Taxpayer will not use the proposed method of accounting for its books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may not be in conformance with generally accepted accounting principles (GAAP).

Page 3, Part II, Line 16

If it is tentatively determined that Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2011-14, as amplified and modified by Rev. Proc. 2011-43, Rev. Proc. 2013-24, and Rev. Proc. 2014-16, the privilege of a conference is hereby requested. To arrange the time and place of such a conference, please contact the Taxpayer's representative:

Statement 7

Automatic change to deduct amounts paid or incurred for repairs and maintenance; and change in the method of identifying the unit of property

Filed under Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16

Scott Mackay
Ernst & Young LLP
1101 New York Avenue, N.W.
Washington, DC 20005

Or

Renaë Davis
Ernst & Young LLP
1120 NW Couch Street
Portland, OR 97209

Page 3, Part IV, Line 25

Amount of repairs and maintenance deducted under present method:	\$	0
Amount of repairs and maintenance deductible under proposed method:		\$(15,935,262)
Difference – Negative § 481(a) adjustment:		\$(15,935,262)

The Taxpayer incurred expenses for repairs and maintenance that were previously capitalized and depreciated over recovery periods up to twenty years for assets placed in service beginning January 1, 1993 through December 31, 2013. Under the proposed method, the amounts would have been expensed during the tax year incurred. The difference between the current method and proposed method is the remaining basis in the capitalized repairs and maintenance and other costs reflected above.

In determining the §481(a) adjustment for gas distribution assets, the Taxpayer computed a repair deduction percentage using specific data for the taxable years beginning January 1, 2005 through December 31, 2013.

Exhibit D

Form 3115, Application for Change of Accounting Method

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to **Electric Transmission and Distribution** filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Application for Change in Accounting Method

OMB No. 1545-0152

Name of filer (name of parent corporation if a consolidated group) (see instructions) Avista Corporation	Identification number (see instructions) 91-0462470
Number, street, and room or suite no. If a P.O. box, see the instructions. 1411 East Mission Avenue	Principal business activity code number (see instructions) 221100
City or town, state, and ZIP code Spokane, WA 99202	Tax year of change begins (MM/DD/YYYY) 01/01/2014 Tax year of change ends (MM/DD/YYYY) 12/31/2014
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)	Name of contact person (see instructions) Scott Mackay
	Contact person's telephone number 1 (202) 327-6069

If the applicant is a member of a consolidated group, check this box **1**

If Form 2848, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box

Check the box to indicate the type of applicant. <input type="checkbox"/> Individual <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Controlled foreign corporation (Sec. 957) <input type="checkbox"/> 10/50 corporation (Sec. 904(d)(2)(E)) <input type="checkbox"/> Qualified personal service corporation (Sec. 448(d)(2)) <input type="checkbox"/> Exempt organization. Enter Code section ▶	<input type="checkbox"/> Cooperative (Sec. 1381) <input type="checkbox"/> Partnership <input type="checkbox"/> S corporation <input type="checkbox"/> Insurance co. (Sec. 816(a)) <input type="checkbox"/> Insurance co. (Sec. 831) <input type="checkbox"/> Other (specify) ▶	Check the appropriate box to indicate the type of accounting method change being requested. (see instructions) <input type="checkbox"/> Depreciation or Amortization <input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions <input checked="" type="checkbox"/> Other (specify) ▶ DISPOSITIONS OF TANGIBLE DEPRECIABLE ASSETS
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Caution. To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes all information requested on this Form 3115 (including its instructions), as well as any other information that is not specifically requested.

The taxpayer must attach all applicable supplemental statements requested throughout this form.

Part I Information For Automatic Change Request

1 Enter the applicable designated automatic accounting method change number for the requested automatic change. Enter only one designated automatic accounting method change number, except as provided for in guidance published by the IRS. If the requested change has no designated automatic accounting method change number, check "Other," and provide both a description of the change and citation of the IRS guidance providing the automatic change. See instructions. ▶ (a) Change No. <u>206</u> (b) Other <input type="checkbox"/> Description ▶ <u>N/A</u>	Yes	No
2 Do any of the scope limitations described in section 4.02 of Rev. Proc. 2008-52 cause automatic consent to be unavailable for the applicant's requested change? If "Yes," attach an explanation.	✓	

Note. Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable).

Part II Information For All Requests

3 Did or will the applicant cease to engage in the trade or business to which the requested change relates, or terminate its existence, in the tax year of change (see instructions)? If "Yes," the applicant is not eligible to make the change under automatic change request procedures.	✓	
4a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)? If "No," go to line 5.	✓	
b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)?	✓	

Signature (see instructions)

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer

Donald Falkner 9/8/15
 Signature and date

Donald Falkner, Tax Director and Asst. Treasurer
 Name and title (print or type)

Preparer (other than filer/applicant)

Rena Davis
 Signature of individual preparing the application and date

Rena Davis
 Name of individual preparing the application (print or type)

ERNST & YOUNG U.S. LLP
 Name of firm preparing the application

For Privacy Act and Paperwork Reduction Act Notice, see the instructions.

Cat. No. 19280E

Form **3115** (Rev. 12-2009)

Part II Information For All Requests (continued)	Yes	No
4c Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?		✓
d Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)? If "Yes," attach the consent statement from the director.		✓
e Is the request to change the method of accounting being filed under the 90-day or 120-day window period? If "Yes," check the box for the applicable window period and attach the required statement (see instructions). <input type="checkbox"/> 90 day <input type="checkbox"/> 120 day: Date examination ended ▶ _____		✓
f If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination. Name ▶ _____ Telephone number ▶ _____ Tax year(s) ▶ _____		
g Has a copy of this Form 3115 been provided to the examining agent identified on line 4f?		✓
5a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court? If "Yes," enter the name of the (check the box) <input type="checkbox"/> Appeals officer and/or <input type="checkbox"/> counsel for the government, telephone number, and the tax year(s) before Appeals and/or a Federal court. Name ▶ <u>N/A</u> Telephone number ▶ <u>N/A</u> Tax year(s) ▶ <u>N/A</u>		✓
b Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a?	N	A
c Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member) (see instructions)? If "Yes," attach an explanation.	N	A
6 If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, attach a statement that provides each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court.		
7 If, for federal income tax purposes, the applicant is either an entity (including a limited liability company) treated as a partnership or an S corporation, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member, or shareholder of that entity? If "Yes," the applicant is not eligible to make the change.	N	A
8a Does the applicable revenue procedure (advance consent or automatic consent) state that the applicant does not receive audit protection for the requested change (see instructions)?		✓
b If "Yes," attach an explanation. N/A		
9a Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in method of accounting within the past 5 years (including the year of the requested change)?	✓	
b If "Yes," for each trade or business, attach a description of each requested change in method of accounting (including the tax year of change) and state whether the applicant received consent. SEE STATEMENT		
c If any application was withdrawn, not perfected, or denied, or if a Consent Agreement granting a change was not signed and returned to the IRS, or the change was not made or not made in the requested year of change, attach an explanation. SEE STATEMENT		
10a Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in method of accounting, or technical advice?	✓	
b If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in method of accounting, or technical advice), and the specific issue(s) in the request(s). SEE STATEMENT		
11 Is the applicant requesting to change its overall method of accounting? N/A If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of this form. N/A		✓
Present method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		
Proposed method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		

Part II Information For All Requests (continued)				Yes	No	
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following:					
a	The item(s) being changed. SEE STATEMENT					
b	The applicant's present method for the item(s) being changed. SEE STATEMENT					
c	The applicant's proposed method for the item(s) being changed. SEE STATEMENT					
d	The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT					
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE STATEMENT					
14	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions SEE STATEMENT If "No," attach an explanation.				✓	
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?				✓	
b	If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application. N/A					
16	Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response? SEE STATEMENT			✓		
17	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change. N/A					
	1st preceding year ended: mo.	yr.	2nd preceding year ended: mo.	yr.	3rd preceding year ended: mo.	yr.
	\$	N/A	\$	N/A	\$	N/A

Part III Information For Advance Consent Request				N/A		Yes	No
18	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request? If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.						
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.						
20	Attach a copy of all documents related to the proposed change (see instructions).						
21	Attach a statement of the applicant's reasons for the proposed change.						
22	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation.						
23a	Enter the amount of user fee attached to this application (see instructions). ▶ \$ _____						
b	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).						

Part IV Section 481(a) Adjustment				Yes	No
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes," do not complete lines 25, 26, and 27 below.				✓
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ▶ \$ <u>-2,636</u> Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant. SEE STATEMENT				

Part IV Section 481(a) Adjustment (continued)		Yes	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?	N	A
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation.		✓
		N/A	

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.) N/A

Part I Change in Overall Method (see instructions) N/A

1 Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

	Amount
a Income accrued but not received (such as accounts receivable)	\$
b Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method	
c Expenses accrued but not paid (such as accounts payable)	
d Prepaid expenses previously deducted	
e Supplies on hand previously deducted and/or not previously reported	
f Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II	
g Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. ▶	
h Net section 481(a) adjustment (Combine lines 1a–1g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 25.	\$

- 2 Is the applicant also requesting the recurring item exception under section 461(h)(3)? Yes No
- 3 Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a statement explaining the differences.

Part II Change to the Cash Method For Advance Consent Request (see instructions) N/A

Applicants requesting a change to the cash method must attach the following information:

- A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
- An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

Schedule B—Change to the Deferral Method for Advance Payments (see instructions) N/A

- If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991, attach the following information:
 - A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.
 - If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required by section 8.02(3)(a)-(c) of Rev. Proc. 2004-34.
 - If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required by section 8.03(2)(a)-(f) of Rev. Proc. 2004-34.
- If the applicant is requesting to change to the deferral method for advance payments described in Regulations section 1.451-5(b)(1)(ii), attach the following.
 - A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).
 - A statement explaining what portions of the advance payments, if any, are attributable to services, whether such services are integral to the provisions of goods or items, and whether any portions of the advance payments that are attributable to non-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) and (3).
 - A statement explaining that the advance payments will be included in income no later than when included in gross receipts for purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).
 - A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and if so, when substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income.

Schedule C—Changes Within the LIFO Inventory Method (see instructions)**Part I General LIFO Information**

N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a Valuing inventory (e.g., unit method or dollar-value method).
 - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
 - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
 - d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
 - a A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
 - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions)

Part I Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.) N/A

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities.
2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)?
b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)?
c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)?
d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)?
3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)?
b If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
c Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods.
4 To determine a contract's completion factor using the percentage-of-completion method:
a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)?
b If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))?
5 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.) N/A

- 1 Attach a description of the inventory goods being changed.
2 Attach a description of the inventory goods (if any) NOT being changed.
3a Is the applicant subject to section 263A? If "No," go to line 4a
b Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? If "No," attach a detailed explanation.

4a Check the appropriate boxes below.

Identification methods:

- Specific identification
FIFO
LIFO
Other (attach explanation)

Valuation methods:

- Cost
Cost or market, whichever is lower
Retail cost
Retail, lower of cost or market
Other (attach explanation)

Table with 3 columns: Inventory Being Changed (Present method, Proposed method), Inventory Not Being Changed (Present method).

- b Enter the value at the end of the tax year preceding the year of change
5 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).
a Copies of Form(s) 970 filed to adopt or expand the use of the method.
b Only for applicants requesting advance consent. A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
c Only for applicants requesting an automatic change. The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)). N/A

Section A—Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B—Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	Present method	Proposed method
1 Direct material		
2 Direct labor		
3 Indirect labor		
4 Officers' compensation (not including selling activities)		
5 Pension and other related costs		
6 Employee benefits		
7 Indirect materials and supplies		
8 Purchasing costs		
9 Handling, processing, assembly, and repackaging costs		
10 Offsite storage and warehousing costs		
11 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12 Depletion		
13 Rent		
14 Taxes other than state, local, and foreign income taxes		
15 Insurance		
16 Utilities		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18 Engineering and design costs (not including section 174 research and experimental expenses)		
19 Rework labor, scrap, and spoilage		
20 Tools and equipment		
21 Quality control and inspection		
22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23 Licensing and franchise costs		
24 Capitalizable service costs (including mixed service costs)		
25 Administrative costs (not including any costs of selling or any return on capital)		
26 Research and experimental expenses attributable to long-term contracts		
27 Interest		
28 Other costs (Attach a list of these costs.)		

Part III Method of Cost Allocation (see instructions) (continued)

N/A

Section C—Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its method for these costs.)

Table with 3 columns: Item number, Description, Present method, Proposed method. Rows include Marketing, selling, advertising, and distribution expenses; Research and experimental expenses; Bidding expenses; General and administrative costs; Income taxes; Cost of strikes; Warranty and product liability costs; Section 179 costs; On-site storage; Depreciation, amortization, and cost recovery allowance; Other costs.

Schedule E—Change in Depreciation or Amortization (see instructions)

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants must provide this information for each item or class of property for which a change is requested.

Note. See the List of Automatic Accounting Method Changes in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1 Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)?
2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)?
3 Has a depreciation, amortization, or expense election been made for the property (e.g., the election under sections 168(f)(1), 179, or 179C)?

4a To the extent not already provided, attach a statement describing the property being changed. Include in the description the type of property, the year the property was placed in service, and the property's use in the applicant's trade or business or income-producing activity. SEE STATEMENTS

- b If the property is residential rental property, did the applicant live in the property before renting it?
c Is the property public utility property?

5 To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the property is treated under the applicant's present method (e.g., depreciable property, inventory property, supplies under Regulations section 1.162-3, nondepreciable section 263(a) property, property deductible as a current expense, etc.)

6 If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property. N/A SEE STATEMENTS

7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods: SEE STATEMENTS

- a The Code section under which the property is or will be depreciated or amortized (e.g., section 168(g)).
b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
c The facts to support the asset class for the proposed method.
d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
e The useful life, recovery period, or amortization period of the property.
f The applicable convention of the property.
g A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section 168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation as to why no special depreciation allowance was or will be claimed.

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Page 1, Name of Applicant(s)

Unless otherwise specified, a reference to the "Taxpayer" in this document refers to the following applicants:

Applicants	E.I.N.	Principal Business Activity Code
Avista Corporation	91-0462470	221100

Request for Faxed Documents

In accordance with the procedures set forth in § 9.04(3) of Rev. Proc. 2015-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number: Donald Falkner (509) 495-4326

Authorized Representatives' Fax Numbers:

Scott Mackay (844) 511-2786
Rena Davis (866) 507-5623

Page 2, Part II, Lines 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change), and/or has the following request(s) pending:

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Entity making request	Description of change	Consent Obtained	Tax Year
Avista Corporation (EIN: 91-0462470)	Filed a Form 3115 requesting to change its method of accounting related to repairs and maintenance for the tax year ended December 31, 2009. This requested method change was later withdrawn by Avista Corporation	No	2009
Avista Corporation (EIN: 91-0462470)	Change in accounting method for late general asset account elections.	Yes	2013
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2013-24 to determine whether expenditures to maintain, replace, or improve property used to generate steam or electricity must be capitalized under § 263(a)	Automatic pursuant to Rev. Proc. 2015-14, section 3.20	2014
Avista Corporation (EIN: 91-0462470)	Change its method of accounting from capitalizing under § 263(a) certain costs paid or incurred for gas transmission and distribution property to deducting these amounts as repair and maintenance costs under § 162 and Treas. Reg. § 1.162-4	Automatic pursuant to Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16	2014
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2011-43 to determine whether expenditures to maintain, replace, or improve electric transmission and distribution property must be capitalized under section 263.	Automatic pursuant to Rev. Proc. 2015-14, section 3.09	2014

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric generation assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain gas transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to late partial disposition elections for generation, electric transmission and distribution, and gas transmission and distribution assets made under § 1.168(i)-8(d)(2)(i)	Automatic pursuant to Rev. Proc. 2015-14, section 6.33	2014

Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is filing change #206 for certain non-building assets (i.e., assets other than buildings, condominium units, cooperative units, or improvements thereto, as provided in Appendix Section 6.39(1)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54) in its Electric Transmission and Distribution Division (i.e., poles, conductors, and street lights), to

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

change from determining the asset for disposition purposes as something smaller than permitted under Treas. Reg. Section 1.168(i)-8(c)(4) to determining the asset in accordance with Treas. Reg. Section 1.168(i)-8(c)(4). Specifically, the Taxpayer is reversing certain partial disposition losses that it recognized in taxable years prior to the year of change as a result of determining the asset for disposition purposes as something smaller than permitted under Treas. Reg. Section 1.168(i)-8(c)(4). Rather than preserving such losses through the filing of a late partial disposition election under Appendix Section 6.33 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54, the Taxpayer has chosen to simply make the change under Appendix Section 6.39(4)(a) to define the asset for disposition purposes in accordance with Treas. Reg. Section 1.168(i)-8(c)(4) (i.e., the Taxpayer will not recognize the partial disposition losses and will instead continue to depreciate the portion of the asset that was disposed of).

The table below contains descriptions of the non-building assets and the related partial dispositions that are within the scope of this method change. The first column contains a description of the underlying non-building asset (i.e., asset as determined under Treas. Reg. Section 1.168(i)-8(c)(4)). The second column contains a description of the portion of the non-building asset that the Taxpayer disposed of and determined to be the asset for disposition purposes under its present method of accounting. Each of the underlying non-building assets subject to this change (as described in the table below) meets the following criteria -

- ▶ The assets are owned by the Taxpayer as of the beginning of the year of change.
- ▶ The Taxpayer depreciates the assets under Section 168 under its present and proposed method.
- ▶ The assets are not accounted for in a general asset account.
- ▶ The assets are either section 1245 property or depreciable land improvements and are not buildings, condominium units, cooperative units, or improvements thereto.

Further, this change does not include any partial dispositions of non-building assets that were disposed of in an event described in Treas. Reg. Section 1.168(i)-8(d)(1) (i.e., an event, such as a sale, that requires the Taxpayer to recognize the partial disposition for tax purposes).

Assets/Dispositions within the Scope of This Change

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Description of underlying asset of which the disposed portion was a part	Description of the portion of the asset that was disposed of	Placed in Service Year	Tax Year in which the partial disposition occurred	Use in Taxpayer's Trade or Business
Conductors and any associated devices, by circuit, by vintage	Certain linear feet of electrical lines used to facilitate the flow of electricity less than 10% of the average of the linear feet of per circuit.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Towers, poles, structures and fittings mounted to towers, by circuit, by vintage	Towers, poles, structures and fittings mounted to towers used to complete a full circuit of linear property that is less than 10% of the unit of property.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Underground conduit, by circuit, by vintage	Certain linear feet of underground conduit used to facilitate the flow of electricity that are less than 10% of the average of the linear feet of per circuit.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Boxes, vaults, structures and fittings mounted in boxes and	Certain electrical enclosures used to house electrical	Various	Various	This asset is used in the Taxpayer's trade or business

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

or vaults, by circuit, by vintage	junctions that are less than 10% of the average number per individual circuit.			that is described in the Line 13 statement
Customer service drops, by circuit, by vintage	Certain customer service drops used to facilitate the flow of electricity that are less than 10% of the average number of customer service drops per circuit.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Street lighting, by circuit, by vintage	Certain street lighting connected to the electric circuit that are less than 10% of the average number of streetlights per circuit.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Traffic and similar signals, by circuit, by vintage	Certain traffic and similar signals connected to the electric circuit that are less than 10% of the average number of traffic and similar signals per circuit.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Smart grid property not located at a	Certain smart grid property, not	Various	Various	This asset is used in the Taxpayer's

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

substation, excluding smart meters, by circuit, by vintage	including smart meters, that are less than 10% of the average number of smart grid property, excluding smart meters, per circuit.			trade or business that is described in the Line 13 statement
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b) The applicant's present method for the item being changed:

Under the Taxpayer's present method of accounting for the non-building assets and dispositions, the Taxpayer determines the asset for disposition purposes in accordance with its FERC retirement unit definition, for example, each 70' cedar pole or each bracket. See the second column in the table in 12(a) for a description of such determinations.

c) The applicant's proposed method for the item being changed:

Under the Taxpayer's proposed method of accounting for the non-building assets and dispositions described in 12(a), the Taxpayer will determine the asset for disposition purposes in accordance with Treas. Reg. Section 1.168(i)-8(c)(4).

Thus, for items properly included in one of the asset classes 00.11 through 00.4 of Rev. Proc. 87-56 or properly classified within one of the categories under Section 168(e)(3) (except for a category that includes buildings or structural components), the Taxpayer will define each such item as the asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(C). For items that are not properly included in the above referenced asset classes or Section 168(e)(3) categories, the Taxpayer will follow Treas. Reg. Section 1.168(i)-8(c)(4)(i) and consider the facts and circumstances of each disposition in determining the asset disposed of and will not treat items placed in service on different dates as the asset for disposition purposes. Lastly, with respect to improvements to an asset, the Taxpayer will treat each separate improvement as an asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(D).

As this change relates to improvements to electric transmission and distribution property, the Taxpayer will treat each separate improvement as an asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(D).

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Accordingly, under the Taxpayer's proposed method of accounting for the non-building assets and dispositions described in 12(a), it will not recognize disposition losses upon the disposition of a portion of an asset and will instead continue to depreciate the portion of the asset disposed of (utilizing the same depreciation methods, conventions, and recovery periods as the underlying non-building asset of which it was a part).

Public Utility Property Statement - Appendix Section 6.39(5)(a)(v) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Certain property described in 12(a) above is public utility property within the meaning of Section 168(i)(10). The Taxpayer agrees to the following terms and conditions with respect to such public utility property:

- A normalization method of accounting (within the meaning of Section 168(i)(9)) will be used to account for such property.
- Within 30 calendar days of filing the federal income tax return for the year of change, the Taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over such property.
- As of the beginning of the year of change, the Taxpayer will adjust its deferred tax reserve account or similar account in the Taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the Section 481(a) adjustment applicable to such property.

d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

Page 3, Part II, Line 13

Taxpayer's Trade or Business:

The Taxpayer is a regulated electric and gas utility engaged in the generation, transmission and distribution, and sale of electricity and the distribution of natural gas. Its principal business activity code is 221100. The Taxpayer has only one trade or business as described in Treas. Reg. § 1.446-1(d).

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Page 3, Part II, Line 14

The Taxpayer will not use the proposed method of accounting for its books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may not be in conformance with generally accepted accounting principles (GAAP).

Page 3, Part II, Line 16

If it is tentatively determined that Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54 (for example, the Taxpayer changed to a method of accounting that varies from the applicable accounting method described in Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54, or the Taxpayer is outside the scope of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54), the privilege of a conference is hereby requested. To arrange the time and place of such a conference, please contact the Taxpayer's representative:

Scott Mackay
Ernst & Young LLP
1101 New York Avenue, N.W.
Washington, DC 20005

Or

Renae Davis
Ernst & Young LLP
1120 NW Couch Street
Portland, OR 97209

Page 3, Part IV, Line 25

Partial disposition loss recognized under present method	\$ 275,779
Depreciation taken since the partial disposition event under proposed method	<u>(278,415)</u>

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Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Difference – Negative § 481(a) adjustment: \$ (2,636)

The Section 481(a) adjustment has been calculated as the difference between the partial disposition losses recognized for the taxable years prior to the year of change under the Taxpayer’s present method of accounting (i.e., the losses recognized as a result of determining the asset for disposition purposes as something smaller than permitted under Treas. Reg. Section 1.168(i)-1(c)(4)) and the depreciation that would have been deducted since the partial disposition events in the taxable years prior to the year of change under the Taxpayer’s proposed method of accounting (i.e., the depreciation that would have been deducted had the Taxpayer determined the asset for disposition purposes in accord with Treas. Reg. Section 1.168(i)-1(c)(4)) assuring that there are no omissions or duplications of income or expense, resulting in a negative Section 481(a) adjustment.

The Taxpayer currently includes depreciation and disposition losses in its Section 263A UNICAP calculation. The Section 481(a) adjustment above considers the effect of Section 263A.

Page 8, Schedule E, Line 4a and Line 5

Please refer to the response in line 12 and the table in the Schedule E, lines 7a - g.

Page 8, Schedule E, Line 7a - 7g

The table below provides details regarding the portions of the non-building assets that were treated as the asset for disposition purposes under the Taxpayer’s present method of accounting. Under the Taxpayer’s proposed method of accounting, such portions will be depreciated consistent with the depreciation methods, conventions, and recovery periods that the Taxpayer has historically used to depreciate the underlying non-building assets of which the disposed portions were a part. Refer to line 12 for additional details (e.g., placed in service dates, etc.)

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Conductors and any associated devices under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

			be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	All towers, poles, structures, and fittings mounted to towers, by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Underground conduit by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4.

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

			As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Boxes, vaults, structures and fittings mounted in boxes and/or vaults by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Customer service drops by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

			electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Street lighting by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Traffic and similar signals by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electric Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Smart grid property not located at a substation by circuit under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric distribution systems should be classified under asset class 00.4. As the property subject to this method change is an electric distribution system, or part of an electric distribution system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

Item 7(g) – To the extent the aforementioned property was eligible and the additional first-year depreciation allowed was not elected out of, then additional first-year bonus depreciation was/will be claimed on the property.

Exhibit E

Form 3115, Application for Change of Accounting Method

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to **Electrical Generation** filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Application for Change in Accounting Method

OMB No. 1545-0152

Name of filer (name of parent corporation if a consolidated group) (see instructions) Avista Corporation	Identification number (see instructions) 91-0462470
Number, street, and room or suite no. If a P.O. box, see the instructions. 1411 East Mission Avenue	Principal business activity code number (see instructions) 221100
City or town, state, and ZIP code Spokane, WA 99202	Tax year of change begins (MM/DD/YYYY) 01/01/2014 Tax year of change ends (MM/DD/YYYY) 12/31/2014
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)	Name of contact person (see instructions) Scott Mackay
	Contact person's telephone number 1 (202) 327-6069

If the applicant is a member of a consolidated group, check this box

If Form 2848, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box

Check the box to indicate the type of applicant. <input type="checkbox"/> Individual <input checked="" type="checkbox"/> Corporation <input type="checkbox"/> Controlled foreign corporation (Sec. 957) <input type="checkbox"/> 10/50 corporation (Sec. 904(d)(2)(E)) <input type="checkbox"/> Qualified personal service corporation (Sec. 448(d)(2)) <input type="checkbox"/> Exempt organization. Enter Code section ▶	<input type="checkbox"/> Cooperative (Sec. 1381) <input type="checkbox"/> Partnership <input type="checkbox"/> S corporation <input type="checkbox"/> Insurance co. (Sec. 816(a)) <input type="checkbox"/> Insurance co. (Sec. 831) <input type="checkbox"/> Other (specify) ▶	Check the appropriate box to indicate the type of accounting method change being requested. (see instructions) <input type="checkbox"/> Depreciation or Amortization <input type="checkbox"/> Financial Products and/or Financial Activities of Financial Institutions <input checked="" type="checkbox"/> Other (specify) ▶ DISPOSITIONS OF TANGIBLE DEPRECIABLE ASSETS
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Caution. To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes all information requested on this Form 3115 (including its instructions), as well as any other information that is not specifically requested.

The taxpayer must attach all applicable supplemental statements requested throughout this form.

Part I Information For Automatic Change Request

	Yes	No
1 Enter the applicable designated automatic accounting method change number for the requested automatic change. Enter only one designated automatic accounting method change number, except as provided for in guidance published by the IRS. If the requested change has no designated automatic accounting method change number, check "Other," and provide both a description of the change and citation of the IRS guidance providing the automatic change. See instructions. ▶ (a) Change No. <u>206</u> (b) Other <input type="checkbox"/> Description ▶ _____	<input type="checkbox"/>	<input type="checkbox"/>
2 Do any of the scope limitations described in section 4.02 of Rev. Proc. 2008-52 cause automatic consent to be unavailable for the applicant's requested change? If "Yes," attach an explanation.	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Note. Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable).

Part II Information For All Requests

	Yes	No
3 Did or will the applicant cease to engage in the trade or business to which the requested change relates, or terminate its existence, in the tax year of change (see instructions)? If "Yes," the applicant is not eligible to make the change under automatic change request procedures.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
4a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)? If "No," go to line 5.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Signature (see instructions)

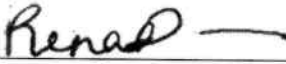
Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer



 Signature and date
Donald Falkner, Tax Director and Asst. Treasurer
 Name and title (print or type)

Preparer (other than filer/applicant)



 Signature of individual preparing the application and date
Renae Davis
 Name of individual preparing the application (print or type)
ERNST & YOUNG U.S. LLP
 Name of firm preparing the application

For Privacy Act and Paperwork Reduction Act Notice, see the instructions.

Cat. No. 19280E

Form **3115** (Rev. 12-2009)

Part II Information For All Requests (continued)

	Yes	No
4c Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?		✓
d Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)? If "Yes," attach the consent statement from the director.		✓
e Is the request to change the method of accounting being filed under the 90-day or 120-day window period? If "Yes," check the box for the applicable window period and attach the required statement (see instructions). <input type="checkbox"/> 90 day <input type="checkbox"/> 120 day: Date examination ended ▶ _____		✓
f If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination. Name ▶ _____ Telephone number ▶ _____ Tax year(s) ▶ _____		
g Has a copy of this Form 3115 been provided to the examining agent identified on line 4f?		✓
5a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court? If "Yes," enter the name of the (check the box) <input type="checkbox"/> Appeals officer and/or <input type="checkbox"/> counsel for the government, telephone number, and the tax year(s) before Appeals and/or a Federal court. Name ▶ <u>N/A</u> Telephone number ▶ <u>N/A</u> Tax year(s) ▶ <u>N/A</u>		✓
b Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a?	N	A
c Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member) (see instructions)? If "Yes," attach an explanation.	N	A
6 If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, attach a statement that provides each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court.		
7 If, for federal income tax purposes, the applicant is either an entity (including a limited liability company) treated as a partnership or an S corporation, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member, or shareholder of that entity? If "Yes," the applicant is not eligible to make the change.	N	A
8a Does the applicable revenue procedure (advance consent or automatic consent) state that the applicant does not receive audit protection for the requested change (see instructions)?		✓
b If "Yes," attach an explanation. N/A		
9a Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in method of accounting within the past 5 years (including the year of the requested change)?	✓	
b If "Yes," for each trade or business, attach a description of each requested change in method of accounting (including the tax year of change) and state whether the applicant received consent. SEE STATEMENT		
c If any application was withdrawn, not perfected, or denied, or if a Consent Agreement granting a change was not signed and returned to the IRS, or the change was not made or not made in the requested year of change, attach an explanation. SEE STATEMENT		
10a Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in method of accounting, or technical advice?	✓	
b If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in method of accounting, or technical advice), and the specific issue(s) in the request(s). SEE STATEMENT		
11 Is the applicant requesting to change its overall method of accounting? If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of this form. N/A		✓
Present method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		
Proposed method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		

Part II Information For All Requests (continued)	Yes	No						
12 If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following: a The item(s) being changed. SEE STATEMENT b The applicant's present method for the item(s) being changed. SEE STATEMENT c The applicant's proposed method for the item(s) being changed. SEE STATEMENT d The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT								
13 Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE STATEMENT								
14 Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions If "No," attach an explanation. SEE STATEMENT	✓							
15a Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?		✓						
b If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application. N/A								
16 Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response? SEE STATEMENT	✓							
17 If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change. N/A <table style="width:100%; border-collapse: collapse; margin-top: 5px;"> <tr> <td style="width: 33%; border-bottom: 1px solid black;">1st preceding year ended: mo. yr.</td> <td style="width: 33%; border-bottom: 1px solid black;">2nd preceding year ended: mo. yr.</td> <td style="width: 33%; border-bottom: 1px solid black;">3rd preceding year ended: mo. yr.</td> </tr> <tr> <td style="text-align: center;">\$ N/A</td> <td style="text-align: center;">\$ N/A</td> <td style="text-align: center;">\$ N/A</td> </tr> </table>	1st preceding year ended: mo. yr.	2nd preceding year ended: mo. yr.	3rd preceding year ended: mo. yr.	\$ N/A	\$ N/A	\$ N/A		
1st preceding year ended: mo. yr.	2nd preceding year ended: mo. yr.	3rd preceding year ended: mo. yr.						
\$ N/A	\$ N/A	\$ N/A						

Part III Information For Advance Consent Request	N/A		Yes	No
18 Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request? If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.				
19 Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.				
20 Attach a copy of all documents related to the proposed change (see instructions).				
21 Attach a statement of the applicant's reasons for the proposed change.				
22 If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed? If "No," attach an explanation.				
23a Enter the amount of user fee attached to this application (see instructions). ▶ \$ _____				
b If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).				

Part IV Section 481(a) Adjustment	Yes	No
24 Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment? If "Yes," do not complete lines 25, 26, and 27 below.		✓
25 Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ▶ \$ <u>+1,090,188</u> Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant. SEE STATEMENT		

Part IV Section 481(a) Adjustment (continued)		Yes	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?	N	A
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation.		✓
		N/A	

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.) N/A

Part I Change in Overall Method (see instructions) N/A

1 Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

	Amount
a Income accrued but not received (such as accounts receivable)	\$
b Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method	
c Expenses accrued but not paid (such as accounts payable)	
d Prepaid expenses previously deducted	
e Supplies on hand previously deducted and/or not previously reported	
f Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II	
g Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. ▶	
h Net section 481(a) adjustment (Combine lines 1a–1g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 25.	\$

- 2 Is the applicant also requesting the recurring item exception under section 461(h)(3)? Yes No
- 3 Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a statement explaining the differences.

Part II Change to the Cash Method For Advance Consent Request (see instructions) N/A

Applicants requesting a change to the cash method must attach the following information:

- A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
- An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

Schedule B—Change to the Deferral Method for Advance Payments (see instructions) N/A

- If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991, attach the following information:
 - A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.
 - If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required by section 8.02(3)(a)-(c) of Rev. Proc. 2004-34.
 - If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required by section 8.03(2)(a)-(f) of Rev. Proc. 2004-34.
- If the applicant is requesting to change to the deferral method for advance payments described in Regulations section 1.451-5(b)(1)(ii), attach the following.
 - A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).
 - A statement explaining what portions of the advance payments, if any, are attributable to services, whether such services are integral to the provisions of goods or items, and whether any portions of the advance payments that are attributable to non-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) and (3).
 - A statement explaining that the advance payments will be included in income no later than when included in gross receipts for purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).
 - A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and if so, when substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income.

Schedule C—Changes Within the LIFO Inventory Method (see instructions)**Part I General LIFO Information**

N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all **Forms 970, Application To Use LIFO Inventory Method**, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a Valuing inventory (e.g., unit method or dollar-value method).
 - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
 - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
 - d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
 - a A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
 - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Form 3115 (Rev. 12-2009)

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other Section 263A Assets (see instructions)

Part I Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.) N/A

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities.
2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)?
b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)?
c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)?
d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)?
3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)?
b If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
c Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods.
4 To determine a contract's completion factor using the percentage-of-completion method:
a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)?
b If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))?
5 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.) N/A

- 1 Attach a description of the inventory goods being changed.
2 Attach a description of the inventory goods (if any) NOT being changed.
3a Is the applicant subject to section 263A? If "No," go to line 4a
b Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? If "No," attach a detailed explanation

4a Check the appropriate boxes below.

Identification methods:

- Specific identification
FIFO
LIFO
Other (attach explanation)

Valuation methods:

- Cost
Cost or market, whichever is lower
Retail cost
Retail, lower of cost or market
Other (attach explanation)

- b Enter the value at the end of the tax year preceding the year of change
5 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).
a Copies of Form(s) 970 filed to adopt or expand the use of the method.
b Only for applicants requesting advance consent. A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
c Only for applicants requesting an automatic change. The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

Table with 3 columns: Inventory Being Changed (Present method, Proposed method), Inventory Not Being Changed (Present method). Rows correspond to identification and valuation methods.

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)). N/A

Section A—Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B—Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	Present method	Proposed method
1 Direct material		
2 Direct labor		
3 Indirect labor		
4 Officers' compensation (not including selling activities)		
5 Pension and other related costs		
6 Employee benefits		
7 Indirect materials and supplies		
8 Purchasing costs		
9 Handling, processing, assembly, and repackaging costs		
10 Offsite storage and warehousing costs		
11 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12 Depletion		
13 Rent		
14 Taxes other than state, local, and foreign income taxes		
15 Insurance		
16 Utilities		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18 Engineering and design costs (not including section 174 research and experimental expenses)		
19 Rework labor, scrap, and spoilage		
20 Tools and equipment		
21 Quality control and inspection		
22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23 Licensing and franchise costs		
24 Capitalizable service costs (including mixed service costs)		
25 Administrative costs (not including any costs of selling or any return on capital)		
26 Research and experimental expenses attributable to long-term contracts		
27 Interest		
28 Other costs (Attach a list of these costs.)		

Part III Method of Cost Allocation (see instructions) (continued)

N/A

Section C—Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its method for these costs.)

Table with 3 columns: Line number, Description, Present method, Proposed method. Rows include Marketing, selling, advertising, and distribution expenses; Research and experimental expenses; Bidding expenses; General and administrative costs; Income taxes; Cost of strikes; Warranty and product liability costs; Section 179 costs; On-site storage; Depreciation, amortization, and cost recovery allowance; Other costs.

Schedule E—Change in Depreciation or Amortization (see instructions)

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants must provide this information for each item or class of property for which a change is requested.

Note. See the List of Automatic Accounting Method Changes in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1 Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)?
2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)?
3 Has a depreciation, amortization, or expense election been made for the property (e.g., the election under sections 168(f)(1), 179, or 179C)?
4a To the extent not already provided, attach a statement describing the property being changed.
b If the property is residential rental property, did the applicant live in the property before renting it?
c Is the property public utility property?
5 To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the property is treated under the applicant's present method.
6 If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property.
7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods:
a The Code section under which the property is or will be depreciated or amortized.
b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
c The facts to support the asset class for the proposed method.
d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
e The useful life, recovery period, or amortization period of the property.
f The applicable convention of the property.
g A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section 168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation as to why no special depreciation allowance was or will be claimed.

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Page 1, Name of Applicant(s)

Unless otherwise specified, a reference to the "Taxpayer" in this document refers to the following applicants:

Applicants	E.I.N.	Principal Business Activity Code
Avista Corporation	91-0462470	221100

Request for Faxed Documents

In accordance with the procedures set forth in § 9.04(3) of Rev. Proc. 2015-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number: Donald Falkner (509) 495-4326

Authorized Representatives' Fax Numbers:

Scott Mackay (844) 511-2786
Renaë Davis (866) 507-5623

Page 2, Part II, Lines 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change), and/or has the following request(s) pending:

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Entity making request	Description of change	Consent Obtained	Tax Year
Avista Corporation (EIN: 91-0462470)	Filed a Form 3115 requesting to change its method of accounting related to repairs and maintenance for the tax year ended December 31, 2009. This requested method change was later withdrawn by Avista Corporation	No	2009
Avista Corporation (EIN: 91-0462470)	Change in accounting method for late general asset account elections.	Yes	2013
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2013-24 to determine whether expenditures to maintain, replace, or improve property used to generate steam or electricity must be capitalized under § 263(a)	Automatic pursuant to Rev. Proc. 2015-14, section 3.20	2014
Avista Corporation (EIN: 91-0462470)	Change its method of accounting from capitalizing under § 263(a) certain costs paid or incurred for gas transmission and distribution property to deducting these amounts as repair and maintenance costs under § 162 and Treas. Reg. § 1.162-4	Automatic pursuant to Rev. Proc. 2011-14, Appendix § 10.11(3)(a)(v), as added and modified by Rev. Proc. 2014-16	2014
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2011-43 to determine whether expenditures to maintain, replace, or improve electric transmission and distribution property must be capitalized under section 263.	Automatic pursuant to Rev. Proc. 2015-14, section 3.09	2014

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain gas transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a), as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to late partial disposition elections for generation, electric transmission and distribution, and gas transmission and distribution assets made under § 1.168(i)-8(d)(2)(i)	Automatic pursuant to Rev. Proc. 2015-14, section 6.33	2014

Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is filing change #206 for certain non-building assets (i.e., assets other than buildings, condominium units, cooperative units, or improvements thereto, as provided in Appendix Section 6.39(1)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54) with respect to its Electric Generation assets (i.e., property described in Appendix A, Sections 2 through 4 of Rev. Proc. 2013-24), to change from determining the asset for disposition

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

purposes in accordance with its FERC retirement unit definition to determining the asset in accordance with Treas. Reg. Section 1.168(i)-8(c)(4). Specifically, the Taxpayer is reversing certain partial disposition losses that it recognized in taxable years prior to the year of change as a result of determining the asset for disposition purposes in accordance with FERC, for example, each 3” or larger valve or each bypass valve. Rather than preserving such losses through the filing of a late partial disposition election under Appendix Section 6.33 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54, the Taxpayer has chosen to simply make the change under Appendix Section 6.39(4)(a) to define the asset for disposition purposes in accordance with Treas. Reg. Section 1.168(i)-8(c)(4) (i.e., the Taxpayer will not recognize the partial disposition losses and will instead continue to depreciate the portion of the asset that was disposed of).

The table below contains descriptions of the non-building assets and the related partial dispositions that are within the scope of this method change. The first column contains a description of the underlying non-building asset (i.e., asset as determined under Treas. Reg. Section 1.168(i)-8(c)(4)). The second column contains a description of the portion of the non-building asset that the Taxpayer disposed of and determined to be the asset for disposition purposes under its present method of accounting. Each of the underlying non-building assets subject to this change (as described in the table below) meets the following criteria -

- ▶ The assets are owned by the Taxpayer as of the beginning of the year of change.
- ▶ The Taxpayer depreciates the assets under Section 168 under its present and proposed method.
- ▶ The assets are not accounted for in a general asset account.
- ▶ The assets are either section 1245 property or depreciable land improvements and are not buildings, condominium units, cooperative units, or improvements thereto.

Further, this change does not include any partial dispositions of non-building assets that were disposed of in an event described in Treas. Reg. Section 1.168(i)-8(d)(1) (i.e., an event, such as a sale, that requires the Taxpayer to recognize the partial disposition for tax purposes).

Assets/Dispositions within the Scope of This Change

Description of underlying asset of which the disposed portion was a part	Description of the portion of the asset that was disposed of	Placed in Service Year	Tax Year in which the partial disposition occurred	Use in Taxpayer’s Trade or Business
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Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Units of property and major components applicable to coal-fired power stations	Certain components and units of property for coal-fired power stations as defined in Rev. Proc. 2013-24, Appendix § 2.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Units of property and major components applicable to natural gas or oil fired power stations	Certain components and units of property for natural gas or oil fired power stations as defined in Rev. Proc. 2013-24, Appendix § 3.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Units of property and major components applicable to hydroelectric power stations	Certain components and units of property for hydroelectric power stations as defined in Rev. Proc. 2013-24, Appendix § 4.	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement

b) The applicant's present method for the item being changed:

Under the Taxpayer's present method of accounting for the non-building assets and dispositions, the Taxpayer determines the asset for disposition purposes as something smaller than permitted under Treas. Reg. Section 1.168(i)-8(c)(4). See the second column in the table in 12(a) for a description of such determinations.

As a result of determining the asset for disposition purposes as something smaller than permitted under Treas. Reg. Section 1.168(i)-8(c)(4), the Taxpayer, under its present method of accounting, recognized disposition losses upon the disposition of a portion of an entire asset rather than upon the disposition of the entire asset (as determined under Treas. Reg. Section 1.168(i)-8(c)(4)).

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

c) The applicant's proposed method for the item being changed:

Under the Taxpayer's proposed method of accounting for the non-building assets and dispositions described in 12(a), the Taxpayer will determine the asset for disposition purposes in accordance with Treas. Reg. Section 1.168(i)-8(c)(4). Specifically, Taxpayer will adopt the Units of Property and major components related to its coal-fired power stations as defined in Rev. Proc. 2013-24, Appendix § 2, for its natural gas or oil fired power stations as defined in Rev. Proc. 2013-24, Appendix § 3, and for its hydroelectric power stations as defined in Rev. Proc. 2013-24, Appendix § 4.

Thus, for items properly included in one of the asset classes 00.11 through 00.4 of Rev. Proc. 87-56 or properly classified within one of the categories under Section 168(e)(3) (except for a category that includes buildings or structural components), the Taxpayer will define each such item as the asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(C). For items that are not properly included in the above referenced asset classes or Section 168(e)(3) categories, the Taxpayer will follow Treas. Reg. Section 1.168(i)-8(c)(4)(i) and consider the facts and circumstances of each disposition in determining the asset disposed of and will not treat items placed in service on different dates as the asset for disposition purposes. Lastly, with respect to improvements to an asset, the Taxpayer will treat each separate improvement as an asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(D).

As this change relates to improvements to electric generation property, the Taxpayer will treat each separate improvement as an asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(D).

Accordingly, under the Taxpayer's proposed method of accounting for the non-building assets and dispositions described in 12(a), it will not recognize disposition losses upon the disposition of a portion of an asset and will instead continue to depreciate the portion of the asset disposed of (utilizing the same depreciation methods, conventions, and recovery periods as the underlying non-building asset of which it was a part). Further, the Taxpayer will wait until the taxable year in which the entire non-building asset (as determined in Treas. Reg. Section 1.168(i)-8(c)(4)) is disposed of to recognize any disposition gains or losses.

Public Utility Property Statement - Appendix Section 6.39(5)(a)(v) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Certain property described in 12(a) above is public utility property within the meaning of Section 168(i)(10). The Taxpayer agrees to the following terms and conditions with respect to such public utility property:

- A normalization method of accounting (within the meaning of Section 168(i)(9)) will be used to account for such property.
- Within 30 calendar days of filing the federal income tax return for the year of change, the Taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over such property.
- As of the beginning of the year of change, the Taxpayer will adjust its deferred tax reserve account or similar account in the Taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the Section 481(a) adjustment applicable to such property.

d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

Page 3, Part II, Line 13

Taxpayer's Trade or Business:

The Taxpayer is a regulated electric and gas utility engaged in the generation, transmission and distribution, and sale of electricity and the distribution of natural gas. Its principal business activity code is 221100. The Taxpayer has only one trade or business as described in Treas. Reg. § 1.446-1(d).

Page 3, Part II, Line 14

The Taxpayer will not use the proposed method of accounting for its books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may not be in conformance with generally accepted accounting principles (GAAP).

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Page 3, Part II, Line 16

If it is tentatively determined that Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54 (for example, the Taxpayer changed to a method of accounting that varies from the applicable accounting method described in Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54, or the Taxpayer is outside the scope of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54), the privilege of a conference is hereby requested. To arrange the time and place of such a conference, please contact the Taxpayer's representative:

Scott Mackay
Ernst & Young LLP
1101 New York Avenue, N.W.
Washington, DC 20005

Or

Rena Davis
Ernst & Young LLP
1120 NW Couch Street
Portland, OR 97209

Page 3, Part IV, Line 25

Partial disposition loss recognized under present method	\$ 4,415,316
Depreciation taken since the partial disposition event under proposed method	(3,325,127)
Difference – Positive § 481(a) adjustment:	<u>\$ 1,090,188</u>

The Section 481(a) adjustment has been calculated as the difference between the partial disposition losses recognized for the taxable years prior to the year of change under the Taxpayer's present method of accounting (i.e., the losses recognized as a result of

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

determining the asset for disposition purposes as something smaller than permitted under Treas. Reg. Section 1.168(i)-1(c)(4)) and the depreciation that would have been deducted since the partial disposition events in the taxable years prior to the year of change under the Taxpayer's proposed method of accounting (i.e., the depreciation that would have been deducted had the Taxpayer determined the asset for disposition purposes in accord with Treas. Reg. Section 1.168(i)-1(c)(4)) assuring that there are no omissions or duplications of income or expense, resulting in a positive Section 481(a) adjustment.

The Taxpayer currently includes depreciation and in its Section 263A UNICAP calculation. The Section 481(a) adjustment above considers the effect of Section 263A.

Page 8, Schedule E, Line 4a and Line 5

Please refer to the response in line 12 and the table in the Schedule E, lines 7a - g.

Page 8, Schedule E, Line 7a - 7g

The table below provides details regarding the portions of the non-building assets that were treated as the asset for disposition purposes under the Taxpayer's present method of accounting. Under the Taxpayer's proposed method of accounting, such portions will be depreciated consistent with the depreciation methods, conventions, and recovery periods that the Taxpayer has historically used to depreciate the underlying non-building assets of which the disposed portions were a part. Refer to line 12 for additional details (e.g., placed in service dates, etc.)

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Units of property for coal-fired power stations and any associated major components under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric generation systems should be classified under asset class 00.4. As the property subject to this method change is an electric generation station, or part of an electric generation station, the Taxpayer will classify it under asset class 00.4.

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Units of property and major components of a natural gas power station under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric generation systems should be classified under asset class 00.4. As the property subject to this method change is an electric generation system, or part of an electric generation system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	15 years
(f)	Applicable Convention	N/A	Half-Year

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Units of property and major components of a hydroelectric power station under asset class 00.4
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that electric generation systems should be classified under asset class 00.4. As the property subject to this method change is an electric generation system, or part of an electric generation system, the Taxpayer will classify it under asset class 00.4.
(d)	Depreciation Method	N/A	150% DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Electrical Generation

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Item 7(g) – To the extent the aforementioned property was eligible and the additional first-year depreciation allowed was not elected out of, then additional first-year bonus depreciation was/will be claimed on the property.

Exhibit F

Form 3115, Application for Change of Accounting Method

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to **Gas Transmission and Distribution** filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Application for Change in Accounting Method

Name of filer (name of parent corporation if a consolidated group) (see instructions)		Identification number (see instructions)	
Avista Corporation		91-0462470	
Number, street, and room or suite no. If a P.O. box, see the instructions.		Principal business activity code number (see instructions)	
1411 East Mission Avenue		221100	
City or town, state, and ZIP code		Tax year of change begins (MM/DD/YYYY)	01/01/2014
Spokane, WA 99202		Tax year of change ends (MM/DD/YYYY)	12/31/2014
Name of applicant(s) (if different than filer) and identification number(s) (see instructions)		Name of contact person (see instructions)	
		Scott Mackay	
		Contact person's telephone number	
		1 (202) 327-6069	

If the applicant is a member of a consolidated group, check this box

If Form 2848, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box

Check the box to indicate the type of applicant.

Individual Cooperative (Sec. 1381)

Corporation Partnership

Controlled foreign corporation (Sec. 957) S corporation

10/50 corporation (Sec. 904(d)(2)(E)) Insurance co. (Sec. 816(a))

Qualified personal service corporation (Sec. 448(d)(2)) Insurance co. (Sec. 831)

Other (specify) ▶ _____

Exempt organization. Enter Code section ▶ _____

Check the appropriate box to indicate the type of accounting method change being requested. (see instructions)

Depreciation or Amortization

Financial Products and/or Financial Activities of Financial Institutions

Other (specify) ▶ **DISPOSITIONS OF TANGIBLE DEPRECIABLE ASSETS**

Caution. To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes all information requested on this Form 3115 (including its instructions), as well as any other information that is not specifically requested.

The taxpayer must attach all applicable supplemental statements requested throughout this form.

Part I Information For Automatic Change Request

	Yes	No
1 Enter the applicable designated automatic accounting method change number for the requested automatic change. Enter only one designated automatic accounting method change number, except as provided for in guidance published by the IRS. If the requested change has no designated automatic accounting method change number, check "Other," and provide both a description of the change and citation of the IRS guidance providing the automatic change. See instructions.		
▶ (a) Change No. <u>206</u> (b) Other <input type="checkbox"/> Description ▶ _____		
2 Do any of the scope limitations described in section 4.02 of Rev. Proc. 2008-52 cause automatic consent to be unavailable for the applicant's requested change? If "Yes," attach an explanation.		<input checked="" type="checkbox"/>

Note. Complete Part II below and then Part IV, and also Schedules A through E of this form (if applicable).

Part II Information For All Requests

	Yes	No
3 Did or will the applicant cease to engage in the trade or business to which the requested change relates, or terminate its existence, in the tax year of change (see instructions)?		<input checked="" type="checkbox"/>
If "Yes," the applicant is not eligible to make the change under automatic change request procedures.		
4a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) under examination (see instructions)?		<input checked="" type="checkbox"/>
If "No," go to line 5.		
b Is the method of accounting the applicant is requesting to change an issue (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) either (i) under consideration or (ii) placed in suspense (see instructions)?		<input checked="" type="checkbox"/>

Signature (see instructions)

Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Filer

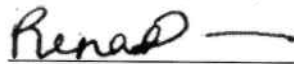


Signature and date

Donald Falkner, Tax Director and Asst. Treasurer

Name and title (print or type)

Preparer (other than filer/applicant)



Signature of individual preparing the application and date

Renae Davis

Name of individual preparing the application (print or type)

ERNST & YOUNG U.S. LLP

Name of firm preparing the application

Part II Information For All Requests (continued)

	Yes	No
4c Is the method of accounting the applicant is requesting to change an issue pending (with respect to either the applicant or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) for any tax year under examination (see instructions)?		✓
d Is the request to change the method of accounting being filed under the procedures requiring that the operating division director consent to the filing of the request (see instructions)? If "Yes," attach the consent statement from the director.		✓
e Is the request to change the method of accounting being filed under the 90-day or 120-day window period? If "Yes," check the box for the applicable window period and attach the required statement (see instructions). <input type="checkbox"/> 90 day <input type="checkbox"/> 120 day: Date examination ended ▶ _____		✓
f If you answered "Yes" to line 4a, enter the name and telephone number of the examining agent and the tax year(s) under examination. Name ▶ _____ Telephone number ▶ _____ Tax year(s) ▶ _____		
g Has a copy of this Form 3115 been provided to the examining agent identified on line 4f?		✓
5a Does the applicant (or any present or former consolidated group in which the applicant was a member during the applicable tax year(s)) have any Federal income tax return(s) before Appeals and/or a Federal court? If "Yes," enter the name of the (check the box) <input type="checkbox"/> Appeals officer and/or <input type="checkbox"/> counsel for the government, telephone number, and the tax year(s) before Appeals and/or a Federal court. Name ▶ <u>N/A</u> Telephone number ▶ <u>N/A</u> Tax year(s) ▶ <u>N/A</u>		✓
b Has a copy of this Form 3115 been provided to the Appeals officer and/or counsel for the government identified on line 5a?	N	A
c Is the method of accounting the applicant is requesting to change an issue under consideration by Appeals and/or a Federal court (for either the applicant or any present or former consolidated group in which the applicant was a member for the tax year(s) the applicant was a member) (see instructions)? If "Yes," attach an explanation.	N	A
6 If the applicant answered "Yes" to line 4a and/or 5a with respect to any present or former consolidated group, attach a statement that provides each parent corporation's (a) name, (b) identification number, (c) address, and (d) tax year(s) during which the applicant was a member that is under examination, before an Appeals office, and/or before a Federal court.		
7 If, for federal income tax purposes, the applicant is either an entity (including a limited liability company) treated as a partnership or an S corporation, is it requesting a change from a method of accounting that is an issue under consideration in an examination, before Appeals, or before a Federal court, with respect to a Federal income tax return of a partner, member, or shareholder of that entity? If "Yes," the applicant is not eligible to make the change.	N	A
8a Does the applicable revenue procedure (advance consent or automatic consent) state that the applicant does not receive audit protection for the requested change (see instructions)?		✓
b If "Yes," attach an explanation. N/A		
9a Has the applicant, its predecessor, or a related party requested or made (under either an automatic change procedure or a procedure requiring advance consent) a change in method of accounting within the past 5 years (including the year of the requested change)?	✓	
b If "Yes," for each trade or business, attach a description of each requested change in method of accounting (including the tax year of change) and state whether the applicant received consent. SEE STATEMENT		
c If any application was withdrawn, not perfected, or denied, or if a Consent Agreement granting a change was not signed and returned to the IRS, or the change was not made or not made in the requested year of change, attach an explanation. SEE STATEMENT		
10a Does the applicant, its predecessor, or a related party currently have pending any request (including any concurrently filed request) for a private letter ruling, change in method of accounting, or technical advice?	✓	
b If "Yes," for each request attach a statement providing the name(s) of the taxpayer, identification number(s), the type of request (private letter ruling, change in method of accounting, or technical advice), and the specific issue(s) in the request(s). SEE STATEMENT		
11 Is the applicant requesting to change its overall method of accounting? If "Yes," check the appropriate boxes below to indicate the applicant's present and proposed methods of accounting. Also, complete Schedule A on page 4 of this form. N/A		✓
Present method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		
Proposed method: <input type="checkbox"/> Cash <input type="checkbox"/> Accrual <input type="checkbox"/> Hybrid (attach description)		

Part II Information For All Requests (continued)				Yes	No	
12	If the applicant is either (i) not changing its overall method of accounting, or (ii) is changing its overall method of accounting and also changing to a special method of accounting for one or more items, attach a detailed and complete description for each of the following:					
a	The item(s) being changed. SEE STATEMENT					
b	The applicant's present method for the item(s) being changed. SEE STATEMENT					
c	The applicant's proposed method for the item(s) being changed. SEE STATEMENT					
d	The applicant's present overall method of accounting (cash, accrual, or hybrid). SEE STATEMENT					
13	Attach a detailed and complete description of the applicant's trade(s) or business(es), and the principal business activity code for each. If the applicant has more than one trade or business as defined in Regulations section 1.446-1(d), describe: whether each trade or business is accounted for separately; the goods and services provided by each trade or business and any other types of activities engaged in that generate gross income; the overall method of accounting for each trade or business; and which trade or business is requesting to change its accounting method as part of this application or a separate application. SEE STATEMENT					
14	Will the proposed method of accounting be used for the applicant's books and records and financial statements? For insurance companies, see the instructions SEE STATEMENT				✓	
15a	Has the applicant engaged, or will it engage, in a transaction to which section 381(a) applies (e.g., a reorganization, merger, or liquidation) during the proposed tax year of change determined without regard to any potential closing of the year under section 381(b)(1)?				✓	
b	If "Yes," for the items of income and expense that are the subject of this application, attach a statement identifying the methods of accounting used by the parties to the section 381(a) transaction immediately before the date of distribution or transfer and the method(s) that would be required by section 381(c)(4) or (c)(5) absent consent to the change(s) requested in this application. N/A					
16	Does the applicant request a conference with the IRS National Office if the IRS proposes an adverse response? SEE STATEMENT			✓		
17	If the applicant is changing to either the overall cash method, an overall accrual method, or is changing its method of accounting for any property subject to section 263A, any long-term contract subject to section 460, or inventories subject to section 474, enter the applicant's gross receipts for the 3 tax years preceding the tax year of change. N/A					
	1st preceding year ended: mo.	yr.	2nd preceding year ended: mo.	yr.	3rd preceding year ended: mo.	yr.
	\$	N/A	\$	N/A	\$	N/A

Part III Information For Advance Consent Request				N/A		Yes	No
18	Is the applicant's requested change described in any revenue procedure, revenue ruling, notice, regulation, or other published guidance as an automatic change request?						
	If "Yes," attach an explanation describing why the applicant is submitting its request under advance consent request procedures.						
19	Attach a full explanation of the legal basis supporting the proposed method for the item being changed. Include a detailed and complete description of the facts that explains how the law specifically applies to the applicant's situation and that demonstrates that the applicant is authorized to use the proposed method. Include all authority (statutes, regulations, published rulings, court cases, etc.) supporting the proposed method. Also, include either a discussion of the contrary authorities or a statement that no contrary authority exists.						
20	Attach a copy of all documents related to the proposed change (see instructions).						
21	Attach a statement of the applicant's reasons for the proposed change.						
22	If the applicant is a member of a consolidated group for the year of change, do all other members of the consolidated group use the proposed method of accounting for the item being changed?						
	If "No," attach an explanation.						
23a	Enter the amount of user fee attached to this application (see instructions). ▶ \$ _____						
b	If the applicant qualifies for a reduced user fee, attach the required information or certification (see instructions).						

Part IV Section 481(a) Adjustment				Yes	No
24	Does the applicable revenue procedure, revenue ruling, notice, regulation, or other published guidance require the applicant to implement the requested change in method of accounting on a cut-off basis rather than a section 481(a) adjustment?				✓
	If "Yes," do not complete lines 25, 26, and 27 below.				
25	Enter the section 481(a) adjustment. Indicate whether the adjustment is an increase (+) or a decrease (-) in income. ▶ \$ <u>-63,007</u> Attach a summary of the computation and an explanation of the methodology used to determine the section 481(a) adjustment. If it is based on more than one component, show the computation for each component. If more than one applicant is applying for the method change on the same application, attach a list of the name, identification number, principal business activity code (see instructions), and the amount of the section 481(a) adjustment attributable to each applicant. SEE STATEMENT				

Part IV Section 481(a) Adjustment (continued)		Yes	No
26	If the section 481(a) adjustment is an increase to income of less than \$25,000, does the applicant elect to take the entire amount of the adjustment into account in the year of change?	N	A
27	Is any part of the section 481(a) adjustment attributable to transactions between members of an affiliated group, a consolidated group, a controlled group, or other related parties? If "Yes," attach an explanation.		✓
		N/A	

Schedule A—Change in Overall Method of Accounting (If Schedule A applies, Part I below must be completed.) N/A

Part I Change in Overall Method (see instructions) N/A

1 Enter the following amounts as of the close of the tax year preceding the year of change. If none, state "None." Also, attach a statement providing a breakdown of the amounts entered on lines 1a through 1g.

	Amount
a Income accrued but not received (such as accounts receivable)	\$
b Income received or reported before it was earned (such as advanced payments). Attach a description of the income and the legal basis for the proposed method	
c Expenses accrued but not paid (such as accounts payable)	
d Prepaid expenses previously deducted	
e Supplies on hand previously deducted and/or not previously reported	
f Inventory on hand previously deducted and/or not previously reported. Complete Schedule D, Part II	
g Other amounts (specify). Attach a description of the item and the legal basis for its inclusion in the calculation of the section 481(a) adjustment. ▶	
h Net section 481(a) adjustment (Combine lines 1a–1g.) Indicate whether the adjustment is an increase (+) or decrease (-) in income. Also enter the net amount of this section 481(a) adjustment amount on Part IV, line 25.	\$

- 2 Is the applicant also requesting the recurring item exception under section 461(h)(3)? Yes No
- 3 Attach copies of the profit and loss statement (Schedule F (Form 1040) for farmers) and the balance sheet, if applicable, as of the close of the tax year preceding the year of change. Also attach a statement specifying the accounting method used when preparing the balance sheet. If books of account are not kept, attach a copy of the business schedules submitted with the Federal income tax return or other return (e.g., tax-exempt organization returns) for that period. If the amounts in Part I, lines 1a through 1g, do not agree with those shown on both the profit and loss statement and the balance sheet, attach a statement explaining the differences.

Part II Change to the Cash Method For Advance Consent Request (see instructions) N/A

- Applicants requesting a change to the cash method must attach the following information:
- A description of inventory items (items whose production, purchase, or sale is an income-producing factor) and materials and supplies used in carrying out the business.
 - An explanation as to whether the applicant is required to use the accrual method under any section of the Code or regulations.

Schedule B—Change to the Deferral Method for Advance Payments (see instructions) N/A

- If the applicant is requesting to change to the Deferral Method for advance payments described in section 5.02 of Rev. Proc. 2004-34, 2004-1 C.B. 991, attach the following information:
 - A statement explaining how the advance payments meet the definition in section 4.01 of Rev. Proc. 2004-34.
 - If the applicant is filing under the automatic change procedures of Rev. Proc. 2008-52, the information required by section 8.02(3)(a)-(c) of Rev. Proc. 2004-34.
 - If the applicant is filing under the advance consent provisions of Rev. Proc. 97-27, the information required by section 8.03(2)(a)-(f) of Rev. Proc. 2004-34.
- If the applicant is requesting to change to the deferral method for advance payments described in Regulations section 1.451-5(b)(1)(ii), attach the following.
 - A statement explaining how the advance payments meet the definition in Regulations section 1.451-5(a)(1).
 - A statement explaining what portions of the advance payments, if any, are attributable to services, whether such services are integral to the provisions of goods or items, and whether any portions of the advance payments that are attributable to non-integral services are less than five percent of the total contract prices. See Regulations sections 1.451-5(a)(2)(i) and (3).
 - A statement explaining that the advance payments will be included in income no later than when included in gross receipts for purposes of the applicant's financial reports. See Regulations section 1.451-5(b)(1)(ii).
 - A statement explaining whether the inventoriable goods exception of Regulations section 1.451-5(c) applies and if so, when substantial advance payments will be received under the contracts, and how the exception will limit the deferral of income.

Schedule C—Changes Within the LIFO Inventory Method (see instructions)**Part I General LIFO Information**

N/A

Complete this section if the requested change involves changes within the LIFO inventory method. Also, attach a copy of all Forms 970, Application To Use LIFO Inventory Method, filed to adopt or expand the use of the LIFO method.

- 1 Attach a description of the applicant's present and proposed LIFO methods and submethods for each of the following items:
 - a Valuing inventory (e.g., unit method or dollar-value method).
 - b Pooling (e.g., by line or type or class of goods, natural business unit, multiple pools, raw material content, simplified dollar-value method, inventory price index computation (IPIC) pools, vehicle-pool method, etc.).
 - c Pricing dollar-value pools (e.g., double-extension, index, link-chain, link-chain index, IPIC method, etc.).
 - d Determining the current-year cost of goods in the ending inventory (i.e., most recent acquisitions, earliest acquisitions during the current year, average cost of current-year acquisitions, or other permitted method).
- 2 If any present method or submethod used by the applicant is not the same as indicated on Form(s) 970 filed to adopt or expand the use of the method, attach an explanation.
- 3 If the proposed change is not requested for all the LIFO inventory, attach a statement specifying the inventory to which the change is and is not applicable.
- 4 If the proposed change is not requested for all of the LIFO pools, attach a statement specifying the LIFO pool(s) to which the change is applicable.
- 5 Attach a statement addressing whether the applicant values any of its LIFO inventory on a method other than cost. For example, if the applicant values some of its LIFO inventory at retail and the remainder at cost, identify which inventory items are valued under each method.
- 6 If changing to the IPIC method, attach a completed Form 970.

Part II Change in Pooling Inventories

N/A

- 1 If the applicant is proposing to change its pooling method or the number of pools, attach a description of the contents of, and state the base year for, each dollar-value pool the applicant presently uses and proposes to use.
- 2 If the applicant is proposing to use natural business unit (NBU) pools or requesting to change the number of NBU pools, attach the following information (to the extent not already provided) in sufficient detail to show that each proposed NBU was determined under Regulations section 1.472-8(b)(1) and (2):
 - a A description of the types of products produced by the applicant. If possible, attach a brochure.
 - b A description of the types of processes and raw materials used to produce the products in each proposed pool.
 - c If all of the products to be included in the proposed NBU pool(s) are not produced at one facility, state the reasons for the separate facilities, the location of each facility, and a description of the products each facility produces.
 - d A description of the natural business divisions adopted by the taxpayer. State whether separate cost centers are maintained and if separate profit and loss statements are prepared.
 - e A statement addressing whether the applicant has inventories of items purchased and held for resale that are not further processed by the applicant, including whether such items, if any, will be included in any proposed NBU pool.
 - f A statement addressing whether all items including raw materials, goods-in-process, and finished goods entering into the entire inventory investment for each proposed NBU pool are presently valued under the LIFO method. Describe any items that are not presently valued under the LIFO method that are to be included in each proposed pool.
 - g A statement addressing whether, within the proposed NBU pool(s), there are items both sold to unrelated parties and transferred to a different unit of the applicant to be used as a component part of another product prior to final processing.
- 3 If the applicant is engaged in manufacturing and is proposing to use the multiple pooling method or raw material content pools, attach information to show that each proposed pool will consist of a group of items that are substantially similar. See Regulations section 1.472-8(b)(3).
- 4 If the applicant is engaged in the wholesaling or retailing of goods and is requesting to change the number of pools used, attach information to show that each of the proposed pools is based on customary business classifications of the applicant's trade or business. See Regulations section 1.472-8(c).

Schedule D—Change in the Treatment of Long-Term Contracts Under Section 460, Inventories, or Other
Section 263A Assets (see instructions)

Part I Change in Reporting Income From Long-Term Contracts (Also complete Part III on pages 7 and 8.) N/A

- 1 To the extent not already provided, attach a description of the applicant's present and proposed methods for reporting income and expenses from long-term contracts. Also, attach a representative actual contract (without any deletion) for the requested change. If the applicant is a construction contractor, attach a detailed description of its construction activities.
2a Are the applicant's contracts long-term contracts as defined in section 460(f)(1) (see instructions)?
b If "Yes," do all the contracts qualify for the exception under section 460(e) (see instructions)?
c If line 2b is "Yes," is the applicant requesting to use the percentage-of-completion method using cost-to-cost under Regulations section 1.460-4(b)?
d If line 2c is "No," is the applicant requesting to use the exempt-contract percentage-of-completion method under Regulations section 1.460-4(c)(2)?
3a Does the applicant have long-term manufacturing contracts as defined in section 460(f)(2)?
b If "Yes," attach an explanation of the applicant's present and proposed method(s) of accounting for long-term manufacturing contracts.
c Attach a description of the applicant's manufacturing activities, including any required installation of manufactured goods.
4 To determine a contract's completion factor using the percentage-of-completion method:
a Will the applicant use the cost-to-cost method in Regulations section 1.460-4(b)?
b If line 4a is "No," is the applicant electing the simplified cost-to-cost method (see section 460(b)(3) and Regulations section 1.460-5(c))?
5 Attach a statement indicating whether any of the applicant's contracts are either cost-plus long-term contracts or Federal long-term contracts.

Part II Change in Valuing Inventories Including Cost Allocation Changes (Also complete Part III on pages 7 and 8.) N/A

- 1 Attach a description of the inventory goods being changed.
2 Attach a description of the inventory goods (if any) NOT being changed.
3a Is the applicant subject to section 263A? If "No," go to line 4a
b Is the applicant's present inventory valuation method in compliance with section 263A (see instructions)? If "No," attach a detailed explanation

4a Check the appropriate boxes below.

Identification methods:

- Specific identification
FIFO
LIFO
Other (attach explanation)

Valuation methods:

- Cost
Cost or market, whichever is lower
Retail cost
Retail, lower of cost or market
Other (attach explanation)

Table with 3 columns: Inventory Being Changed (Present method, Proposed method), Inventory Not Being Changed (Present method). Rows correspond to identification and valuation methods.

- b Enter the value at the end of the tax year preceding the year of change
5 If the applicant is changing from the LIFO inventory method to a non-LIFO method, attach the following information (see instructions).
a Copies of Form(s) 970 filed to adopt or expand the use of the method.
b Only for applicants requesting advance consent. A statement describing whether the applicant is changing to the method required by Regulations section 1.472-6(a) or (b), or whether the applicant is proposing a different method.
c Only for applicants requesting an automatic change. The statement required by section 22.01(5) of the Appendix of Rev. Proc. 2008-52 (or its successor).

Part III Method of Cost Allocation (Complete this part if the requested change involves either property subject to section 263A or long-term contracts as described in section 460 (see instructions)). N/A

Section A—Allocation and Capitalization Methods

Attach a description (including sample computations) of the present and proposed method(s) the applicant uses to capitalize direct and indirect costs properly allocable to real or tangible personal property produced and property acquired for resale, or to allocate and, where appropriate, capitalize direct and indirect costs properly allocable to long-term contracts. Include a description of the method(s) used for allocating indirect costs to intermediate cost objectives such as departments or activities prior to the allocation of such costs to long-term contracts, real or tangible personal property produced, and property acquired for resale. The description must include the following:

- 1 The method of allocating direct and indirect costs (i.e., specific identification, burden rate, standard cost, or other reasonable allocation method).
- 2 The method of allocating mixed service costs (i.e., direct reallocation, step-allocation, simplified service cost using the labor-based allocation ratio, simplified service cost using the production cost allocation ratio, or other reasonable allocation method).
- 3 The method of capitalizing additional section 263A costs (i.e., simplified production with or without the historic absorption ratio election, simplified resale with or without the historic absorption ratio election including permissible variations, the U.S. ratio, or other reasonable allocation method).

Section B—Direct and Indirect Costs Required To Be Allocated

Check the appropriate boxes showing the costs that are or will be fully included, to the extent required, in the cost of real or tangible personal property produced or property acquired for resale under section 263A or allocated to long-term contracts under section 460. Mark "N/A" in a box if those costs are not incurred by the applicant. If a box is not checked, it is assumed that those costs are not fully included to the extent required. Attach an explanation for boxes that are not checked.

	Present method	Proposed method
1 Direct material		
2 Direct labor		
3 Indirect labor		
4 Officers' compensation (not including selling activities)		
5 Pension and other related costs		
6 Employee benefits		
7 Indirect materials and supplies		
8 Purchasing costs		
9 Handling, processing, assembly, and repackaging costs		
10 Offsite storage and warehousing costs		
11 Depreciation, amortization, and cost recovery allowance for equipment and facilities placed in service and not temporarily idle		
12 Depletion		
13 Rent		
14 Taxes other than state, local, and foreign income taxes		
15 Insurance		
16 Utilities		
17 Maintenance and repairs that relate to a production, resale, or long-term contract activity		
18 Engineering and design costs (not including section 174 research and experimental expenses)		
19 Rework labor, scrap, and spoilage		
20 Tools and equipment		
21 Quality control and inspection		
22 Bidding expenses incurred in the solicitation of contracts awarded to the applicant		
23 Licensing and franchise costs		
24 Capitalizable service costs (including mixed service costs)		
25 Administrative costs (not including any costs of selling or any return on capital)		
26 Research and experimental expenses attributable to long-term contracts		
27 Interest		
28 Other costs (Attach a list of these costs.)		

Part III Method of Cost Allocation (see instructions) (continued)

N/A

Section C—Other Costs Not Required To Be Allocated (Complete Section C only if the applicant is requesting to change its method for these costs.)

Table with 3 columns: Line number, Description of cost, Present method, Proposed method. Rows include Marketing, selling, advertising, and distribution expenses; Research and experimental expenses; Bidding expenses; General and administrative costs; Income taxes; Cost of strikes; Warranty and product liability costs; Section 179 costs; On-site storage; Depreciation, amortization, and cost recovery allowance; Other costs.

Schedule E—Change in Depreciation or Amortization (see instructions)

Applicants requesting approval to change their method of accounting for depreciation or amortization complete this section. Applicants must provide this information for each item or class of property for which a change is requested.

Note. See the List of Automatic Accounting Method Changes in the instructions for information regarding automatic changes under sections 56, 167, 168, 197, 1400I, 1400L, or former section 168. Do not file Form 3115 with respect to certain late elections and election revocations (see instructions).

- 1 Is depreciation for the property determined under Regulations section 1.167(a)-11 (CLADR)?
2 Is any of the depreciation or amortization required to be capitalized under any Code section (e.g., section 263A)?
3 Has a depreciation, amortization, or expense election been made for the property (e.g., the election under sections 168(f)(1), 179, or 179C)?
4a To the extent not already provided, attach a statement describing the property being changed.
b If the property is residential rental property, did the applicant live in the property before renting it?
c Is the property public utility property?
5 To the extent not already provided in the applicant's description of its present method, attach a statement explaining how the property is treated under the applicant's present method.
6 If the property is not currently treated as depreciable or amortizable property, attach a statement of the facts supporting the proposed change to depreciate or amortize the property.
7 If the property is currently treated and/or will be treated as depreciable or amortizable property, provide the following information for both the present (if applicable) and proposed methods:
a The Code section under which the property is or will be depreciated or amortized.
b The applicable asset class from Rev. Proc. 87-56, 1987-2 C.B. 674, for each asset depreciated under section 168 (MACRS) or under section 1400L; the applicable asset class from Rev. Proc. 83-35, 1983-1 C.B. 745, for each asset depreciated under former section 168 (ACRS); an explanation why no asset class is identified for each asset for which an asset class has not been identified by the applicant.
c The facts to support the asset class for the proposed method.
d The depreciation or amortization method of the property, including the applicable Code section (e.g., 200% declining balance method under section 168(b)(1)).
e The useful life, recovery period, or amortization period of the property.
f The applicable convention of the property.
g A statement of whether or not the additional first-year special depreciation allowance (for example, as provided by section 168(k), 168(l), 168(m), 168(n), 1400L(b), or 1400N(d)) was or will be claimed for the property. If not, also provide an explanation as to why no special depreciation allowance was or will be claimed.

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Page 1, Name of Applicant(s)

Unless otherwise specified, a reference to the "Taxpayer" in this document refers to the following applicants:

Applicants	E.I.N.	Principal Business Activity Code
Avista Corporation	91-0462470	221100

Request for Faxed Documents

In accordance with the procedures set forth in § 9.04(3) of Rev. Proc. 2015-1, the Taxpayer requests that a copy of any document related to this request (e.g., a request for additional information) be provided to the Taxpayer and the Taxpayer's authorized representatives via fax at the numbers below.

Taxpayer's Fax Number: Donald Falkner (509) 495-4326

Authorized Representatives' Fax Numbers:

Scott Mackay (844) 511-2786
Renaë Davis (866) 507-5623

Page 2, Part II, Lines 9b and 10b

The Taxpayer, its predecessor, or a related party has requested or made the following changes in method of accounting within the past five years (including the year of change), and/or has the following request(s) pending:

Entity making request	Description of change	Consent Obtained	Tax Year
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Statement 1

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Avista Corporation (EIN: 91-0462470)	Filed a Form 3115 requesting to change its method of accounting related to repairs and maintenance for the tax year ended December 31, 2009. This requested method change was later withdrawn by Avista Corporation	No	2009
Avista Corporation (EIN: 91-0462470)	Change in accounting method for late general asset account elections.	Yes	2013
Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2013-24 to determine whether expenditures to maintain, replace, or improve property used to generate steam or electricity must be capitalized under § 263(a)	Automatic pursuant to Rev. Proc. 2015-14, section 3.20	2014
Avista Corporation (EIN: 91-0462470)	Change its method of accounting from capitalizing under § 263(a) certain costs paid or incurred for gas transmission and distribution property to deducting these amounts as repair and maintenance costs under § 162 and Treas. Reg. § 1.162-4	Automatic pursuant to Rev. Proc. 2011-14, Appendix § 10.11(3)(a) (v), as added and modified by Rev. Proc. 2014-16	2014

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Avista Corporation (EIN: 91-0462470)	Change to the safe harbor method of accounting under Rev. Proc. 2011-43 to determine whether expenditures to maintain, replace, or improve electric transmission and distribution property must be capitalized under section 263.	Automatic pursuant to Rev. Proc. 2015-14, section 3.09	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric transmission and distribution assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a) , as added and modified by Rev. Proc. 2014-54	2014
Avista Corporation (EIN: 91-0462470)	Change to reverse a partial disposition loss related to certain electric generation assets by defining the asset in accordance with Treas. Reg. §1.168(i)-(8)(c)(4).	Automatic pursuant to Rev. Proc. 2011-14, Appendix §6.39(4)(a) , as added and modified by Rev. Proc. 2014-54	2014

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Avista Corporation (EIN: 91-0462470)	Change to late partial disposition elections for generation, electric transmission and distribution, and gas transmission and distribution assets made under § 1.168(i)-8(d)(2)(i)	Automatic pursuant to Rev. Proc. 2015-14, section 6.33	2014
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Page 3, Part II, Line 12

a) The item being changed:

The Taxpayer is filing change #206 for certain non-building assets (i.e., assets other than buildings, condominium units, cooperative units, or improvements thereto, as provided in Appendix Section 6.39(1)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54) in its Gas Transmission and Distribution Division (i.e., intermediate and low pressure mains, regulators, valves, etc), to change from determining the asset for disposition purposes in accordance with its FERC retirement unit definition to determining the asset in accordance with Treas. Reg. Section 1.168(i)-8(c)(4). Specifically, the Taxpayer is reversing certain partial disposition losses that it recognized in taxable years prior to the year of change as a result of determining the asset for disposition purposes in accordance with FERC, for example, each power operated valve that is 6" or larger. Rather than preserving such losses through the filing of a late partial disposition election under Appendix Section 6.33 of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54, the Taxpayer has chosen to simply make the change under Appendix Section 6.39(4)(a) to define the asset for disposition purposes in accordance with Treas. Reg. Section 1.168(i)-8(c)(4) (i.e., the Taxpayer will not recognize the partial disposition losses and will instead continue to depreciate the portion of the asset that was disposed of).

The table below contains descriptions of the non-building assets and the related partial dispositions that are within the scope of this method change. The first column contains a description of the underlying non-building asset (i.e., asset as determined under Treas. Reg. Section 1.168(i)-8(c)(4)). The second column contains a description of the portion of the non-building asset that the Taxpayer disposed of and determined to be the asset for disposition purposes under its present method of accounting. Each of the underlying non-building assets subject to this change (as described in the table below) meets the following criteria -

- ▶ The assets are owned by the Taxpayer as of the beginning of the year of change.

Statement 4

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

- ▶ The Taxpayer depreciates the assets under Section 168 under its present and proposed method.
- ▶ The assets are not accounted for in a general asset account.
- ▶ The assets are either section 1245 property or depreciable land improvements and are not buildings, condominium units, cooperative units, or improvements thereto.

Further, this change does not include any partial dispositions of non-building assets that were disposed of in an event described in Treas. Reg. Section 1.168(i)-8(d)(1) (i.e., an event, such as a sale, that requires the Taxpayer to recognize the partial disposition for tax purposes).

Assets/Dispositions within the Scope of This Change

Description of underlying asset of which the disposed portion was a part	Description of the portion of the asset that was disposed of	Placed in Service Year	Tax Year in which the partial disposition occurred	Use in Taxpayer's Trade or Business
Mains and piping, by geographic area, by vintage	Certain linear feet of main piping less than 10% of the average of the linear feet of mains per geographic area	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement
Service piping, by geographic area, by vintage	Certain linear feet of service piping less than 10% of the average of the linear feet of mains per geographic area	Various	Various	This asset is used in the Taxpayer's trade or business that is described in the Line 13 statement

b) The applicant's present method for the item being changed:

Under the Taxpayer's present method of accounting for the non-building assets and dispositions, the Taxpayer determines the asset for disposition purposes as something

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

smaller than permitted under Treas. Reg. Section 1.168(i)-8(c)(4). See the second column in the table in 12(a) for a description of such determinations.

As a result of determining the asset for disposition purposes in accordance with its FERC reporting, the Taxpayer, under its present method of accounting, recognized disposition losses upon the disposition of a portion of an entire asset rather than upon the disposition of the entire asset (as determined under Treas. Reg. Section 1.168(i)-8(c)(4)). For example, under the present method, each power operated valve that is 6" or larger would be the asset disposed.

c) The applicant's proposed method for the item being changed:

Under the Taxpayer's proposed method of accounting for the non-building assets and dispositions described in 12(a), the Taxpayer will determine the asset for disposition purposes in accordance with Treas. Reg. Section 1.168(i)-8(c)(4).

The Taxpayer will follow Treas. Reg. Section 1.168(i)-8(c)(4)(i) and consider the facts and circumstances of each disposition in determining the asset disposed of and will not treat items placed in service on different dates as the asset for disposition purposes. Lastly, with respect to improvements to an asset, the Taxpayer will treat each separate improvement as an asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(D).

As this change relates to improvements to gas transmission and distribution property, the Taxpayer will treat each separate improvement as an asset for disposition purposes pursuant to Treas. Reg. Section 1.168(i)-8(c)(4)(ii)(D).

Accordingly, under the Taxpayer's proposed method of accounting for the non-building assets and dispositions described in 12(a), it will not recognize disposition losses upon the disposition of a portion of an asset and will instead continue to depreciate the portion of the asset disposed of (utilizing the same depreciation methods, conventions, and recovery periods as the underlying non-building asset of which it was a part). Further, the Taxpayer will wait until the taxable year in which the entire non-building asset (as determined in Treas. Reg. Section 1.168(i)-8(c)(4)) is disposed of to recognize any disposition gains or losses.

Public Utility Property Statement - Appendix Section 6.39(5)(a)(v) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Certain property described in 12(a) above is public utility property within the meaning of Section 168(i)(10). The Taxpayer agrees to the following terms and conditions with respect to such public utility property:

- A normalization method of accounting (within the meaning of Section 168(i)(9)) will be used to account for such property.
- Within 30 calendar days of filing the federal income tax return for the year of change, the Taxpayer will provide a copy of the completed application to any regulatory body having jurisdiction over such property.
- As of the beginning of the year of change, the Taxpayer will adjust its deferred tax reserve account or similar account in the Taxpayer's regulatory books of account by the amount of the deferral of federal income tax liability associated with the Section 481(a) adjustment applicable to such property.

d) The applicant's present overall method of accounting:

The Taxpayer's overall method of accounting is an accrual method.

Page 3, Part II, Line 13

Taxpayer's Trade or Business:

The Taxpayer is a regulated electric and gas utility engaged in the generation, transmission and distribution, and sale of electricity and the distribution of natural gas. Its principal business activity code is 221100. The Taxpayer has only one trade or business as described in Treas. Reg. § 1.446-1(d).

Page 3, Part II, Line 14

The Taxpayer will not use the proposed method of accounting for its books and records and financial statements. The Taxpayer's proposed method of accounting for tax purposes may not be in conformance with generally accepted accounting principles (GAAP).

Statement 7

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

Page 3, Part II, Line 16

If it is tentatively determined that Taxpayer has changed its method of accounting without complying with all the applicable provisions of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54 (for example, the Taxpayer changed to a method of accounting that varies from the applicable accounting method described in Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54, or the Taxpayer is outside the scope of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54), the privilege of a conference is hereby requested. To arrange the time and place of such a conference, please contact the Taxpayer's representative:

Scott Mackay
Ernst & Young LLP
1101 New York Avenue, N.W.
Washington, DC 20005

Or

Renaë Davis
Ernst & Young LLP
1120 NW Couch Street
Portland, OR 97209

Page 3, Part IV, Line 25

Partial disposition loss recognized under present method	\$ 398
Depreciation taken since the partial disposition event under proposed method	63,404
Difference – Negative § 481(a) adjustment:	<u>\$(63,007)</u>

The Section 481(a) adjustment has been calculated as the difference between the partial disposition losses recognized for the taxable years prior to the year of change under the Taxpayer's present method of accounting (i.e., the losses recognized as a result of determining the asset for disposition purposes in accordance with its FERC asset reporting and the depreciation that would have been deducted since the partial disposition events in the

Statement 8

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

taxable years prior to the year of change under the Taxpayer’s proposed method of accounting (i.e., the depreciation that would have been deducted had the Taxpayer determined the asset for disposition purposes in accord with Treas. Reg. Section 1.168(i)-1(c)(4)) assuring that there are no omissions or duplications of income or expense, resulting in a negative Section 481(a) adjustment.

The Taxpayer currently includes depreciation and in its Section 263A UNICAP calculation. The Section 481(a) adjustment above considers the effect of Section 263A.

Page 8, Schedule E, Line 4a and Line 5

Please refer to the response in line 12 and the table in the Schedule E, lines 7a - g.

Page 8, Schedule E, Line 7a - 7g

The table below provides details regarding the portions of the non-building assets that were treated as the asset for disposition purposes under the Taxpayer’s present method of accounting. Under the Taxpayer’s proposed method of accounting, such portions will be depreciated consistent with the depreciation methods, conventions, and recovery periods that the Taxpayer has historically used to depreciate the underlying non-building assets of which the disposed portions were a part. Refer to line 12 for additional details (e.g., placed in service dates, etc.)

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Mains piping under asset class 46.0.
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that gas utility distribution systems should be classified under asset class 49.24. As the property subject to this method change is a gas utility distribution system, or part of a gas utility distribution system, the Taxpayer will classify it under asset class 46,0.
(d)	Depreciation Method	N/A	150DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

Automatic change to define the asset for disposition purposes in accordance with Treas. Reg. §1.168(i)-8(c)(4) for non-building assets related to Gas Transmission and Distribution

Filed under Appendix Section 6.39(4)(a) of Rev. Proc. 2011-14, as modified by Rev. Proc. 2014-54

		<u>Present Method</u>	<u>Proposed Method</u>
(a)	Code Section	N/A	IRC Section 168(a)
(b)	Asset Class	N/A	Service piping under asset class 46.0.
(c)	Facts to Support Asset Class	N/A	Rev. Proc. 87-56 provides that gas utility distribution systems should be classified under asset class 49.24. As the property subject to this method change is a gas utility distribution system, or part of a gas utility distribution system, the Taxpayer will classify it under asset class 46.0.
(d)	Depreciation Method	N/A	150DB
(e)	Recovery Period	N/A	20 years
(f)	Applicable Convention	N/A	Half-Year

Item 7(g) – To the extent the aforementioned property was eligible and the additional first-year depreciation allowed was not elected out of, then additional first-year bonus depreciation will be claimed on the property.